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Equitable Defenses in Patent Law

Christa J. Laser

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ARTICLES

Equitable Defenses in Patent Law

CHRISTA J. LASER*

In patent law, “unenforceability” can have immense consequences. At least five equitable doctrines make up the defense of “unenforceability” as it was codified into the Patent Act in 1952: laches; estoppel; unclean hands; patent misuse; and according to some, inequitable conduct. Yet in the seventy years since incorporation of equitable defenses into the patent statute, the Supreme Court has not clarified their reach. Indeed, twice in the last four years, the Supreme Court avoided giving complete guidance on the crucial questions of whether, and when, such equitable defenses are available to bar damages in cases brought at law.

Several interpretive methods have been proposed for determining the reach of generally worded statutes like the Patent Act. Under a dynamic statutory interpretation, courts would be permitted to develop such statutes in accordance with what the law ought to be. Under a traditional faithful agent approach, in contrast, courts would try to determine the scope as set forth by the legislature, piecing together context and history to frame limited words. The scope of equitable defenses in patent law is an ideal proving ground between these methods, having both historical background for use in traditional approaches and high-stakes social questions that factor into a dynamic approach—what conduct do we allow patentees to engage in before we cut off remedies for infringement on innovations that support our health and modern lifestyle?

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Setting the stage of the statutory interpretive battle, this Article examines the historical and statutory bases of equitable limits on patent law, with a particular focus on the substantive equitable defenses of unclean hands and patent misuse. It contrasts the history of equitable defenses such as estoppel, which crossed fully into courts of law well before the merger of law and equity and the Patent Act, with equitable defenses such as laches, unclean hands, and misuse. This Article walks through these defenses' pre-codification roots and potential statutory interpretations and presents normative and constitutional considerations under the competing interpretive approaches. It also presents a surprising approach to inequitable conduct, arguing that it is not an equitable defense and should no longer result in infectious invalidity. This Article is the first to provide a comprehensive framework for the analysis of equitable defenses in patent law.

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INTRODUCTION

In March 2016, a jury awarded pharmaceutical company Merck \$200 million in compensatory damages after finding that its competitor, Gilead, infringed two of Merck’s patents directed to treatments for Hepatitis C,¹ which the jury determined to be valid.² Three months later, the trial judge determined that Merck’s unclean hands barred all remedies based on litigation and business misconduct, including allegedly using illicitly obtained confidential information, which rendered the damages verdict moot.³ The Federal Circuit affirmed.⁴ In 2019, the Supreme Court denied certiorari in *Merck & Co. v. Gilead Sciences, Inc.*,⁵ leaving many open questions on the reach of equitable defenses, not the least of which are these: When

¹ See *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1233–34 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 797 (2019).

² Jury Verdict, *Gilead Scis., Inc. v. Merck & Co.*, No. 13-cv-04057 (N.D. Cal. Mar. 24, 2016), ECF. No. 392.

³ See *id.*; see *Gilead Scis., Inc. v. Merck & Co.*, No. 13-cv-04057-BLF, 2016 WL 3143943, at *3, 39 (N.D. Cal. June 6, 2016).

⁴ *Gilead Scis.*, 888 F.3d at 1233–34.

⁵ Petition for Writ of Certiorari at 16, *Gilead Scis., Inc. v. Merck & Co.*, 139 S. Ct. 797 (2019) (No. 18-378).

should equitable doctrines bar damages, a remedy at law?⁶ Under what circumstances can courts expand the reach of statutorily incorporated equitable principles beyond pre-codification roots?

The competing interpretive approaches that would answer these questions are in battle, with scholars and courts divided on their merits.⁷ This is particularly true when the competing interpretive approaches are applied to close questions of the meaning of generally worded statutes,⁸ like the Patent Act of 1952. On one side of the battle line, Professor William Eskridge has argued for a theory of “dynamic statutory interpretation” under which courts determining the meaning of ambiguous legal texts would give weight to what a statute “ought to mean in terms of the needs and goals of our present day society[.]”⁹ Dynamic interpretation is a more moderate variation of then-Professor Guido Calabresi’s suggestion that, in an “age of statutes,” courts should develop statutory law as courts have developed the common law, with renovations to meet new needs.¹⁰ Eskridge urges that, particularly when statutes are broadly worded or involve areas of law where there is rapid technological and legal change, courts should “develop that statute in accordance with contemporary, rather than purely historical, policy.”¹¹

On the other side of the interpretive battle line is the prevailing view in American law that courts applying statutes should act as the faithful agents of the lawmaking body, relegating their own

⁶ See *id.*; see *Gilead Scis.*, 888 F.3d at 1233, 1247–48; *Gilead Scis.*, 2016 WL 3143943, at 39.

⁷ See Petition for Writ of Certiorari, *supra* note 5, at 23–24; William N. Eskridge, Jr., *Dynamic Statutory Interpretation*, 135 U. PA. L. REV. 1479, 1479–81 (1987) (disagreeing that statutes should be treated as static texts and arguing that “statutes, like the Constitution and the common law, should be interpreted dynamically . . .”); GUIDO CALABRESI, *A COMMON LAW FOR THE AGE OF STATUTES* 2 (1982); John F. Manning, *Textualism and the Equity of the Statute*, 101 COLUM. L. REV. 1, 8 (2001) (describing competing methods of statutory interpretation and arguing in favor of a “faithful agent theory” where courts seek to act as servants of the legislature); Cass R. Sunstein, *Interpreting Statutes in the Regulatory State*, 103 HARV. L. REV. 405, 415 (1989).

⁸ See Eskridge, *supra* note 7, at 1516; see also Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 74–76 (2010).

⁹ Eskridge, *supra* note 7, at 1480–81 (quoting Arthur W. Phelps, *Factors Influencing Judges in Interpreting Statutes*, 3 VAND. L. REV. 456, 469 (1950)).

¹⁰ See CALABRESI, *supra* note 7, at 2.

¹¹ See Eskridge, *supra* note 7, at 1517.

judgment of what the law should be.¹² The choice of which of these two theories to use involves the inherent choice of the appropriate respective authority of Congress and the courts under our Constitution.¹³ Those that advocate for application of a traditional faithful agent viewpoint, therefore, argue that it better supports the constitutional separation of lawmaking power into the hands of the legislature and comports with the constitutional process of bicameralism and presentment.¹⁴

In patent law, normative considerations supporting the use of traditional interpretive methods include the proposition that certainty and stability of patent law are of critical importance to protecting investment in the development and commercialization of technology and that codified law ideally provides more certainty than judge-made doctrine that can be modified from case to case.¹⁵ On the other hand, patent law is also susceptible to the suggestion that it should be interpreted dynamically.¹⁶ Indeed, scholars have argued that the patent code is a “common law enabling statute,” whereby Congress left significant authority in the hands of the courts to develop the law’s contours within only broad general boundaries.¹⁷ Further supporting a dynamic approach, patents are

¹² See Manning, *supra* note 7, at 5 (“[I]t is widely assumed that federal judges must act as Congress’s faithful agents.”); Sunstein, *supra* note 7, at 415 (1989) (“According to the most prominent conception of the role of the courts in statutory construction, judges are agents or servants of the legislature The judicial task is to discern and apply a judgment made by others, most notably the legislature.”); Nicholas S. Zeppos, *Legislative History and the Interpretation of Statutes: Toward a Fact-Finding Model of Statutory Interpretation*, 76 VA. L. REV. 1295, 1313 (1990) (“Traditional democratic theory suggests that the court interpreting a statute must act as the faithful agent of the legislature’s intent.”).

¹³ See John F. Manning, *Constitutional Structure and Judicial Deference to Agency Interpretations of Agency Rules*, 96 COLUM. L. REV. 612, 636–37 (1996) [hereinafter Manning, *Constitutional Structure and Judicial Deference*]; Jane S. Schacter, *Metademocracy: The Changing Structure of Legitimacy in Statutory Interpretation*, 108 HARV. L. REV. 593, 593–94 (1995).

¹⁴ See Manning, *supra* note 7, at 57–58.

¹⁵ *Infra* Part III.B.

¹⁶ See Nard, *supra* note 8, at 53 (arguing that patent code leaves room for the development of doctrines “emanating solely from Article III’s province”).

¹⁷ *Id.*; Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age*, 23 BERKELEY TECH. L.J. 787, 801 (2008) (stating by analogy to Sherman Act that patent law “has always depended on common law elaboration . . .”).

directed to new technologies that often co-occur with rapid societal change.¹⁸

Equity, in addition to patent law, is an area of law that is often thought to be particularly flexible and open to arguments that judges should be permitted to modify the scope of equity's rules over time according to changes in legal and societal norms.¹⁹ However, equity is not limitless. Like patent law, it is framed by standards and boundaries in its application.²⁰ For example, courts develop precedents that cabin equitable doctrines over time,²¹ statutes may set out which equitable doctrines are available under particular circumstances,²² or statutes may codify principles of equity as developed by the courts.²³ When a statute provides for equitable remedies or defenses, the boundary of which equitable doctrines apply and how flexible they remain depends upon how that statute incorporates those doctrines.²⁴ Too little flexibility can erode the equitable nature of these defenses.²⁵ Yet too much flexibility can leave more than merely the interpretation of law, but the making of law, in the hands of courts, which may result in unintentional or uninformed policy choices if the courts must rely on policy to determine the law.²⁶

In patent law, equitable defenses developed first through decisional law, but in the mid-nineteenth century, Congress sought to stabilize that law through incorporation of these defenses into the patent statute.²⁷ Specifically, the defense of "unenforceability" as it

¹⁸ See Nard, *supra* note 8, at 99.

¹⁹ See Stephen N. Subrin, *How Equity Conquered Common Law: The Federal Rules of Civil Procedure in Historical Perspective*, 135 U. PA. L. REV. 909, 920 (1987).

²⁰ See *id.* at 982.

²¹ See *id.* at 932.

²² Samuel L. Bray, *The Supreme Court and the New Equity*, 68 VAND. L. REV. 997, 1001 (2015).

²³ *Id.* at 1012–14.

²⁴ See Henry J. Friendly, *Indiscretion About Discretion*, 31 EMORY L.J. 747, 777 (1982) (quoting *Blackwelder Furniture Co. of Statesville v. Seilig Mfg. Co.*, 550 F.2d 189 (4th Cir. 1977)) ("A judge's discretion is not boundless and must be exercised within the applicable rules of law or equity.").

²⁵ See Manning, *supra* note 7, at 105–06.

²⁶ See Sunstein, *supra* note 7, at 424–25.

²⁷ See P.J. Federico, *Commentary on the New Patent Law*, 35 U.S.C.A. 1 (West 1954), reprinted in 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 170, 215–16 (1993).

was incorporated into the Patent Act of 1952 included at least the equitable defenses of equitable estoppel, laches, unclean hands, and patent misuse.²⁸ Yet in the 70 years since incorporation of equitable defenses into the patent statute, the Supreme Court has not illuminated the outer limits of equitable doctrines in patent law. It denied certiorari in *Merck & Co. v. Gilead Sciences, Inc.* on the issue of unclean hands²⁹ and sidestepped key questions in the context of laches in its opinion in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*.³⁰ The Court likewise has not addressed pressing aspects of the doctrine of inequitable conduct following modifications to the statutory text that potentially affected its scope.³¹ Significant gaps remain. Absent Supreme Court guidance, accurate application of the nuanced doctrines of equitable defenses in patent law requires courts to not only engage with the equities of a particular case but also to fully consider statutory history, doctrinal history, and the appropriateness of competing interpretive lenses to arrive at what the law of equitable defenses is.

Part I of this Article provides a brief introduction to courts of equity, the merger of actions in law and equity, and the role of decisional law at the boundaries of patent doctrines. It also provides brief background on the dynamic and traditional interpretive lenses that may be used to view the questions presented in this Article. Part II provides an overview of the equitable defenses that were made a part of patent law through statute. Focusing on the substantive equitable defenses of unclean hands and misuse, this Part also applies possible frameworks for determining the scope of equitable defenses in pat-

²⁸ See Patent Act of 1952, ch. 950, § 282, 66 Stat. 792, 812 (1952) (codified as amended at 35 U.S.C. § 282); Federico, *supra* note 27, at 166 (“The patent act of 1952 (this title) stems from two movements, one to amend the patent laws, and the other to revise and codify the laws of the United States.”); Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 180 (1980) (“[I]n its 1952 codification of the patent laws Congress endeavored, at least in part, to substitute statutory precepts for the general judicial rules that had governed prior to that time.”); see also *infra* Part II.A (discussing how inequitable conduct may not be an equitable defense but instead a type of invalidity).

²⁹ *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 797 (2019).

³⁰ See *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 966–67 (2017).

³¹ *Infra* Part II.E.

ent law. The first framework includes the traditional approach whereby courts examine whether the doctrine fits within a statutory provision, such as the unenforceability defense available under section 282 of the Patent Act,³² determine whether terms in the statute had an established meaning in decisional law, and then assess whether expansion of the doctrine exceeds the scope of decisional law as it was imputed into the statute. The second alternative framework includes the dynamic approach whereby courts view the statutory codification of equitable defenses as common law enabling, and thereby, they look to decisional law, including law after enactment, the equities of each particular case, and societal and legal norms in place at the time the case is decided.

Part III explores the constitutional considerations inherent in application of the competing interpretive methods and conducts a normative analysis of the role of courts versus the role of Congress in determining the boundaries of equitable principles in patent law. This Part discusses the authority of courts to make determinations about the boundaries of equity after a codification event. It compares the institutional advantages of courts versus Congress to set the boundaries and policies of equitable defenses in patent law, given these institutions' structures, typical functioning, and ability to gather information necessary to efficiently make policy choices.

I. HISTORICAL BACKGROUND AND INTERPRETIVE LENSES

A. *A Brief History of Equity*

1. THE MERGER OF COURTS OF EQUITY AND LAW

From at least approximately the fourteenth century, the English judicial system was divided into separate courts and procedures for law and equity.³³ The “common law” or “law” courts were characterized by use of a jury, a formalized pleading system, and

³² Patent Act of 1952, ch. 950, § 282, 66 Stat. 792, 812 (1952) (codified as amended at 35 U.S.C. § 282).

³³ See William F. Walsh, *Equity Prior to the Chancellor's Court*, 17 GEO. L.J. 97, 105 (1929); Subrin, *supra* note 19, at 914 n.23 (1987) (noting that other courts, in addition to courts of law and equity, were also available).

development of precedent.³⁴ Common law courts required plaintiffs to cabin their legal dispute into pleading a cause of action from among those commonly used in prior writs.³⁵ Over time, precedent developed indicating which facts were sufficient for specific causes of action and procedure developed for resolving cases on the pleadings where there were no disputes of fact.³⁶ The courts of law awarded monetary compensation or actual damages as a remedy.³⁷

The court of equity, by contrast, began as written requests to the Chancellor to relieve parties from application of the common law in exceptional cases.³⁸ Indeed, the court of equity was not available to parties who could obtain an adequate remedy at law.³⁹ In its original form, the outcome of a petition to the Chancellor depended primarily on the Chancellor's conscience, such that outcomes often varied in similar cases.⁴⁰ In proceedings in the court of equity, the Chancellor could order the defendant to answer questions under oath (in what was a precursor to modern discovery procedures) and would weigh the case with considerations of fairness, the totality of the circumstances between the parties, and the impact on the parties and the public.⁴¹ The court of equity had power to order specific relief as the Chancellor decided was appropriate to stop future harm and

³⁴ Subrin, *supra* note 19, at 914.

³⁵ *See id.* at 915.

³⁶ *See id.* For example, if the parties did not contest the facts but only contested legal issues, either side could demur, filing what is today a motion to dismiss or for judgment on the pleadings, whereas if a party successfully traversed, or showed that there were disputed factual issues that could permit recovery, the case would proceed to a jury. *Id.* at 916.

³⁷ *See id.* at 919.

³⁸ *Id.* at 918; *see* Earl of Oxford's Case (1615) 21 Eng. Rep. 485, 486; 1 Ch. Rep. 1, 7 (noting role of equity is "to soften and mollify the Extremity of the Law . . .").

³⁹ Subrin, *supra* note 19, at 920.

⁴⁰ *See* PAUL S. DAVIES & GRAHAM VIRGO, EQUITY & TRUSTS: TEXT, CASES, AND MATERIALS 4 (1st ed. 2013) (discussing history of equity jurisprudence, noting that in early years of equity "ultimately, the intervention of the Lord Chancellor depended upon the exercise of the Lord Chancellor's own conscience. This inherently discretionary approach meant that it was difficult to predict the outcome of any petition to the Lord Chancellor.").

⁴¹ *See* Subrin, *supra* note 19, at 919.

account for gains from the wrongdoing, such as the relief of an injunction or an accounting of profits.⁴²

At the time of the founding of the United States, American federal courts were modeled after this split English system.⁴³ The Constitution granted the federal courts the power to hear cases “in law and equity.”⁴⁴ The federal courts of law and equity were not physically separate, but plaintiffs were required to choose whether to present their cases in either the equity side of the court by a bill in equity or in the law side of the court, which operated under separate procedures.⁴⁵ Like in English law, the American court of law was characterized by use of a jury to decide factual issues and the potential for recovery of monetary damages suffered by the aggrieved party.⁴⁶

⁴² See *id.*

⁴³ See JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE, AS ADMINISTERED IN ENGLAND AND AMERICA 48 (Jarius W. Perry ed., 12th ed. 1877); Thomas O. Main, *Traditional Equity and Contemporary Procedure*, 78 WASH. L. REV. 429, 449 (2003) (“[E]arly American courts were modeling the English method of complementary systems of law and equity.”); THE FEDERALIST NO. 83 (Alexander Hamilton) (“It is true that the separation of the equity from the legal jurisdiction is peculiar to the English system of jurisprudence; which is the model that has been followed in several of the states.”).

⁴⁴ U.S. CONST., art. III, § 2, cl. 1.

⁴⁵ See Main, *supra* note 43, at 450 (“Although Congress did not create a separate court of equity in the Judiciary Act of 1789, it contemplated that the federal court system would administer law and equity on different ‘sides’ of the court and by different procedures.”); Gustavus Ohlinger, *Problems of Jurisdiction and Venue and of the Right of Trial by Jury Under the Federal Rules of Civil Procedure*, 26 CORNELL L.Q. 240, 255 (1941) (“The temple of federal justice was originally constructed with a partition extending from the foundation to the roof. On one side was a chamber labelled ‘law’ and on the other side a chamber marked ‘equity.’ There was no opening in the partition and not even the most astute lawyer could penetrate it. If he found himself in the wrong chamber his case was dismissed, he was compelled to make his exit, and then from the outside enter the proper chamber.”); see also Charles T. McCormick, *The Fusion of Law and Equity in United States Courts*, 6 N.C. L. REV. 283, 284 (1928) (noting that these cases were presented in different sides of the same court, sometimes to same judge playing a different role); Michael T. Morley, *The Federal Equity Power*, 59 B.C. L. REV. 217, 231 (2018) (describing debates around the Judiciary Article’s inclusion of equity jurisdiction, noting that some objected to vesting equity power in same federal courts that would hear cases at law).

⁴⁶ See John C. McCoid, II, *Procedural Reform and the Right to Jury Trial: A Study of Beacon Theatres Inc. v. Westover*, 116 U. PA. L. REV. 1, 1 (1967) (noting

Also, like in English courts, the court of equity could grant relief, including injunctions to cease behavior or restitution to account for wrongful gains.⁴⁷ The court of equity was not available where an adequate remedy could be obtained from the court of law.⁴⁸ Federal courts in their infancy adopted the equity precedent of the English High Court of Chancery as their own.⁴⁹

Nevertheless, after about 150 years of use in the United States, the procedures for these separate systems were gradually merged together.⁵⁰ In a key step toward merger in 1915, Congress passed the Law and Equity Act, which permitted equitable defenses to be pled in actions at law; this is contrary to the previous practice that required a separate bill in equity to be filed to try to enjoin the suit at law from continuing.⁵¹ However, this statute did not provide that all equitable defenses would become defenses that, if shown, would bar causes of action at law—the Law and Equity Act merely effected a procedural change, not a substantive one.⁵² Indeed, the Supreme

that “jury trial as of right was confined to actions at law”); *see also* Mark Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 VA. L. REV. 1673, 1678 (2013) (indicating that in early common law monetary damages were only available in courts sitting in law).

⁴⁷ *See* Morley, *supra* note 45, at 228–29, 236–37 (noting that early American courts sitting in equity applied English equity procedures).

⁴⁸ *Id.* at 232 (citing Judiciary Act of 1789, ch. 20, § 116, 1 Stat. 73, 82 (1789) (“[S]uits in equity shall not be sustained in . . . courts of the United States, in any case where a plain, adequate and complete remedy may be had at law.”)).

⁴⁹ *See* Main, *supra* note 43, at 450.

⁵⁰ *See* Act of 1915, 38 Stat. 956, ch. 90 § 274(b).

⁵¹ *Id.* (“That in all actions at law equitable defenses may be interposed by answer, plea, or replication without the necessity of filing a bill on the equity side of the court.”); *see* Walter Wheeler Cook, *Equitable Defenses*, 32 YALE L.J. 645, 650 (1922–1923). *But see* E.W. Hinton, *Equitable Defenses Under Modern Codes*, 18 MICH. L. REV. 717, 720–21 (1920) (urging that equitable defenses should be called legal defenses if they apply to bar actions at law after merger). For historical clarity, and because historical clarity is necessary to properly apply these defenses in patent law, this Article uses the term “equitable defense” if the defense originated in a court of equity, even if the defense eventually equally barred a remedy in law or equity.

⁵² *See* *Liberty Oil Co. v. Condon Nat’l. Bank*, 260 U.S. 235, 242 (1922); *see also* *Clarksburg Tr. Co. v. Commercial Cas. Ins.*, 40 F.2d 626, 633 (4th Cir. 1930) (“While this statute does not abolish the distinction between actions at law and suits in equity, there can be no question that its purpose was to end the unseemly

Court stated shortly after the Act was passed that “[w]hat was an action at law before the Code is still an action founded on legal principles; and what was a bill in equity before the Code is still a civil action founded on principles of equity.”⁵³ Equitable defenses that were not available to bar legal claims, such as injunctions to stop the action at law from proceeding or cancellations of the right that formed the basis for the legal cause of action, could not be interposed as equitable defenses to legal claims.⁵⁴

In 1938, the Federal Rules of Civil Procedure abolished separate actions in law and equity and, instead, provided for “one form of action to be known as ‘the civil action,’” where law and equity would be pled together in a single, simplified form of pleading.⁵⁵

practice of turning a litigant out of court because he had come in at the wrong door.”); *cf.* *Martin v. Smith*, 65 A. 257, 259 (Me. 1906) (interpreting a similar state statute adopted in Maine (ME. REV. STAT. ch. 84, § 17 (1903)) to determine that reformation of a mortgage document based on mutual mistake could not be interposed in an action at law).

⁵³ *Liberty Oil*, 260 U.S. at 242 (internal citations omitted); *see also* Charles W. Joiner & Ray A. Geddes, *The Union of Law and Equity*, 55 MICH. L. REV. 1059, 1077 (1957) (“The statute provides no new defenses, but rather provides a new way of obtaining equitable relief by the device of a cross-action.”).

⁵⁴ *See Liberty Oil*, 260 U.S. at 242–43 (“If a defendant at law had an equitable defense, he resorted to a bill in equity to enjoin the suit at law, until he could make his equitable defense effective by a hearing before the chancellor. The hearing on that bill was before the chancellor and not before a jury, and, if the prayer of the bill was granted, the injunction against the suit at law was made perpetual and no jury trial ensued. If the injunction was denied, the suit at law proceeded to verdict and judgment.”); *cf. Martin*, 65 A. at 259.

⁵⁵ *See* FED. R. CIV. P. 2 (1938) (amended 2007); FED. R. CIV. P. 2 advisory committee’s note to 1938 amendment (“This rule follows in substance the usual introductory statements to code practices which provide for a single action and mode of procedure, with abolition of forms of action and procedural distinctions.”); Armistead M. Dobie, *The Federal Rules of Civil Procedure*, 25 VA. L. REV. 261, 262–63 (1939). States also gradually began to merge courts of law and equity around the late nineteenth and early twentieth century, beginning with New York in 1846. *See* N.Y. CONST. art. XIV, §§ 5, 8 (1846), *reprinted in* THE CONSTITUTION OF THE STATE OF NEW YORK 95, 124 (Robert C. Cumming et al. eds., Albany, James B. Lyon 1894) (abolishing New York’s separate courts of chancery and beginning transfer of cases arising in equity to courts with jurisdiction in both law and equity). The New York Field Code of 1848 then merged legal and equitable forms of pleading into a simplified, combined form of pleading both legal and equitable claims for relief. *See* THE CODE OF PROCEDURE OF THE STATE

However, these rules, like the 1915 Act, only altered procedure and did not substantively join law and equity.⁵⁶ Equitable defenses that would have been insufficient to enjoin a suit at law if filed as a separate bill in equity remained unavailable to bar legal claims in the combined systems after both the Law and Equity Act of 1915 and the federal merger of legal and equitable pleading in 1938.⁵⁷ It is true that in some areas of law, like contracts, equitable defenses frequently came to be used to bar legal claims after the merger.⁵⁸ However, this is not because the merger made equitable defenses newly and completely available to legal claims; it is because, in contract law, requests for equitable relief that would have the effect of nullifying the claim at law were frequently available by a plea in equity to bar enforcement at law prior to the merger.⁵⁹ For example, an action to reform a contract due to mutual mistake in its execution was an action available in equity, and its effect could be used to undermine the basis for asserting breach of the contract at law.⁶⁰ A number

OF NEW YORK 65 (New York, John S. Voorhies 2d ed. 1852); Mildred V. Coe & Lewis W. Morse, *Chronology of the Development of the David Dudley Field Code*, 27 CORNELL L.Q. 238, 239–40 (1942); Stephen N. Subrin, *David Dudley Field and the Field Code: A Historical Analysis of an Earlier Procedural Vision*, 6 LAW & HIST. REV. 311, 316 (1988). Most other states soon followed. See Samuel L. Bray, *supra* note 22, at 1018 n.113 (2015) (noting that Delaware, Mississippi, Tennessee, New Jersey, Cook County, Illinois, Georgia, and Iowa retained limited, separate procedures or courts for actions in equity).

⁵⁶ Joiner & Geddes, *supra* note 53, at 1088 (“[M]erger does not affect substantive law.”); *Stainback v. Mo Hock Ke Lok Po*, 336 U.S. 368, 382 n.26 (1949) (“Notwithstanding the [procedural] fusion of law and equity by the Rules of Civil Procedure, the substantive principles of Courts of Chancery remain unaffected.”).

⁵⁷ See William F. Walsh, *Is Equity Decadent?*, 22 MINN. L. REV. 479, 489 (1938) (“Equitable defenses do not become legal defenses under code merger”); *Cnty. of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985) (noting in dicta “that application of the equitable defense of laches in an action at law would be novel indeed”).

⁵⁸ Bray, *supra* note 22, at 999 (“In many areas of the law, such as contracts, the defenses that were available at law and those available in equity have been assimilated.”).

⁵⁹ See *Clarksburg Tr. Co. v. Commercial Cas. Ins. Co.*, 40 F.2d 626, 632 (4th Cir. 1930); see also Cook, *supra* note 51, at 650 (collecting cases where equitable cross-actions were available to enjoin suits at law).

⁶⁰ See *Clarksburg Tr. Co.*, 40 F.2d at 632 (“[W]e regard it as well settled that, where parties have agreed upon a contract, but in reducing it to writing fail to

of other originally equitable principles were incorporated as defenses at law prior to merger, including the doctrine of equitable estoppel.⁶¹

Nevertheless, recent Supreme Court cases, discussed in more detail below, leave open how the distinction between law and equity has carried into the modern day in patent cases.⁶²

2. THE UNIQUE COURSE OF EQUITY PROCEDURE IN PATENT LAW BY STATUTE

Even prior to the federal merger of all pleadings in law and equity in 1938,⁶³ law and equity charted a unique course in patent cases. Through the Patent Act of 1870, Congress granted courts sitting in equity the power to award the patentee's actual damages in patent cases, in addition to the equitable remedies of injunction and accounting or restitution,⁶⁴ and to increase the award of damages in its discretion:

embody it in the written instrument through mutual mistake, equity will reform the instrument as written to make it conform to their true agreement.”); *see also* James Barr Ames, *Specialty Contracts and Equitable Defences*, 9 HARV. L. REV. 49, 51 (1895-1896) (discussing role of equity in contract law, noting “from very early times, equity would grant a permanent unconditional injunction against an action [at law] upon a specialty [contract] got by fraud . . .”).

⁶¹ *See* Hinton, *supra* note 51, at 721 (“Formerly, a defendant, when sued at law, had no defense on the ground of equitable estoppel, but was forced into equity for an injunction to restrain the prosecution of the action. In the course of time, however, in spite of theoretical objections and practical difficulties, equitable estoppels became generally recognized as defenses at law . . .”).

⁶² *See* SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, 137 S. Ct. 954, 961 (2017); Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. 663, 678 (2014).

⁶³ *See supra* note 55 and accompanying text; *Federal Rules of Civil Procedure Merge Equity and Common Law*, FED. JUD. CTR., <https://www.fjc.gov/history/timeline/federal-rules-civil-procedure-merge-equity-and-common-law> (last visited Oct. 11, 2020).

⁶⁴ This equitable remedy of an accounting of the infringer's profits is no longer available; in 1946 Congress passed an amendment to the patent act that limited monetary recovery to “damages” to the patentee resulting from the infringement. Act of Aug. 1, 1946, ch. 726, 60 Stat. 778 (1946) (codified as amended at 35 U.S.C. § 70 (1946)) (current version available at 35 U.S.C. § 284); *see also* Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 505–06 (1964) (explaining history and purpose of statutory change that eliminated an accounting of infringer's profits as a damages remedy).

[T]he court shall have power, upon bill in equity filed by any party aggrieved, to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement, the *claimant* [complainant] shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction, and the court shall have the same powers to increase the same in its discretion that are given by this act to increase the damages found by verdicts in actions upon the case⁶⁵

Therefore, rather than bringing separate actions in law to recover damages and in equity to obtain an injunction and other equitable relief, patentees could obtain both remedies from the same action if they sued in equity.⁶⁶ However, the Patent Act of 1870 did not similarly grant courts in actions at law the ability to award equitable remedies.⁶⁷ As a result, many patent actions from 1870 until at least the federal merger of legal and equitable pleading in 1938 were brought in courts of equity.⁶⁸

⁶⁵ Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206.

⁶⁶ *See id.*

⁶⁷ *See id.*

⁶⁸ *See* Karl B. Lutz, *Evolution of the Claims of U.S. Patents*, 20 J. PAT. OFF. SOC'Y 457, 470 (1938) (“After 1870 patentees resorted to actions at law with decreasing frequency until finally the jurisdiction of equity over infringement suits became for all practical purposes exclusive.”); Lemley, *supra* note 46, at 1704 (noting that even after merger of legal and equitable pleading, juries rarely decided more than damages in patent cases for several decades).

B. *The Codification vs. Flexibility of Patent Law and Equity*

1. IS PATENT LAW DECISIONAL LAW, STATUTORY LAW, OR BOTH?

Although patent law in the United States federal system began with the Constitution,⁶⁹ it continued both through statutory and decisional law, in courts of both law and equity, that changed over its hundreds of years of history.⁷⁰ The Constitution provides that “Congress shall have power . . . [t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries”⁷¹ The First Congress acted quickly on this power by passing the Patent Act of 1790, which contained some of the basic contours of patent law including, *inter alia*, the requirement to clearly describe the patented invention in exchange for a right to exclude others from making, using, or selling the invention and the requirement that the invention be “useful” and “not before known or used.”⁷² In the Patent Act of 1793, Congress added, among other changes, a provision that “simply changing the form or the proportions of any machine, or composition of matter, in any degree, shall not be deemed a discovery,”⁷³ which historical scholarship traces as the origin of the obviousness doctrine in United States patent law.⁷⁴ These statutory origins formed the basis for later decisional law developments of the precise contours of these doctrines.⁷⁵

⁶⁹ U.S. CONST. art I, § 8, cl. 8.

⁷⁰ See Nard, *supra* note 8, at 61. Before the formation of federal patent law, several states began to issue patents, which often resulted in conflicting rights between different inventors from state to state. *Id.* (discussing key historical events in development of United States patent law).

⁷¹ U.S. CONST. art I, § 8, cl. 8.

⁷² Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 110 (1790).

⁷³ Patent Act of 1793, ch. 11, § 2, 1 Stat. 318, 321 (1793).

⁷⁴ See John F. Duffy, *Inventing Invention: A Case Study of Legal Innovation*, 86 TEX. L. REV. 1, 38 (2007). Some others view obviousness as arising entirely from decisional law, but although decisional law played an important role in the development of obviousness, decisional law was not its sole source. See Patent Act of 1793, ch. 11, § 2, 1 Stat. 318, 321 (1793).

⁷⁵ See Duffy, *supra* note 74, at 38 (discussing the role of decisional law in obviousness); Nard, *supra* note 8, at 53 (noting the large role of decisional law in development of the patent law).

In many areas of law outside of patent law, the contours of the law are set out more specifically in the statutory text than they are in patent law.⁷⁶ For example, in copyright law, which has a significant body of decisional law around the defense of fair use, the statutory text sets out the specific factors to be considered by courts in this analysis.⁷⁷ In contrast, the current statutory provision for obviousness in patent law lists no factors for consideration and instead relies on broad references to what “would have been obvious.”⁷⁸ This provision is not unbounded, however, merely because the statutory text does not set forth verbatim the factors to be considered—it was framed by a body of decisional law (originally deriving from statute) that was later codified and modified by Congress in amendments to the Patent Act.⁷⁹

⁷⁶ See 17 U.S.C. § 107.

⁷⁷ *Id.*

⁷⁸ See 35 U.S.C. § 103 (“A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.”); see also Nard, *supra* note 8, at 72 (citing *Cuno Eng’g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91 (1941)) (noting that Supreme Court, during a particularly anti-patent period in 1930s and 1940s, enhanced requirement of invention).

⁷⁹ The 1793 Act’s obviousness provision stating what “shall not be deemed a discovery” was eliminated in 1836, Patent Act of 1836, ch. 357, 5 Stat. 117, 120 (1836), after which decisional law that had formed based on that provision nevertheless continued to be cited and developed in decisional law. Duffy, *supra* note 74, at 36, 38–41 (discussing historical development of obviousness through common law, including after elimination of the 1793 standard, such as in *Hotchkiss v. Greenwood*, 52 U.S. 248, 267 (1850), and in time leading up to 1952 Patent Act). In the Patent Act of 1952, Congress codified the obviousness doctrine as it had developed in the decisional law in some respects, such as the requirement that a patent must not be “obvious at the time the invention as made to a person having ordinary skill in the art.” Patent Act of 1952, ch. 950, § 103, 66 Stat. 792, 798 (codified as amended at 35 U.S.C. § 103). However, the statutory provision also clamped down on the heightened standards for inventive genius that developed in the early twentieth century decisional law by stating that “[p]atentability shall not be negated by the manner in which the invention was made.” *Id.*; see Nard, *supra* note 8, at 72 (discussing intent to eliminate enhanced invention requirement of *Cuno Eng’g Corp.*, 314 U.S. at 91).

Scholars have urged that, because of the patent code's broad language and lack of specified rules or factors, in addition to analogizing the patent code to the broad language of the antitrust statutes, the patent code "is a common law enabling statute."⁸⁰ These scholars argue that the patent statutes leave room for the development of patent law doctrines "emanating solely from Article III's province," outside the statutory text.⁸¹ However, even if this was once true early in patent law's development, in 1952, Congress amended the Patent Act in part in an attempt to stabilize the decisional law of patents such that, under a traditional approach to statutory interpretation, much of what seems from a surface reading of the text to be a common law enabling statute would actually codify and set boundaries upon doctrines based on prior imputed law.⁸²

The incorporation and stabilization of decisional law through codification is possible under the statutory interpretative canon of imputed common law meaning.⁸³ The terms of a statute are often understood according to the plain meaning of those statutory terms at the time of enactment.⁸⁴ When a term in a statute has an

⁸⁰ See Nard, *supra* note 8, at 53, 59 ("United States patent law is designed to invite, indeed require, a strong judicial voice."); see Dreyfuss, *supra* note 17, at 801 (stating by analogy to Sherman Act that patent law "has always depended on common law elaboration . . .").

⁸¹ See Nard, *supra* note 8, at 53.

⁸² See Federico, *supra* note 27, at 166 ("The [P]atent [A]ct of 1952 . . . stems from two movements, one to amend the patent laws, and the other to revise and codify the laws of the United States."); Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 180 (1980) ("[I]n its 1952 codification of the patent laws Congress endeavored, at least in part, to substitute statutory precepts for the general judicial rules that had governed prior to that time.").

⁸³ See *Consol. Rail Corp. v. Gottshall*, 512 U.S. 532, 554-557 (1994); *Sekhar v. United States*, 570 U.S. 729, 732 (2013).

⁸⁴ See *Lamie v. U.S. Tr.*, 540 U.S. 526, 534 (2004) (quoting *Hartford Underwriters Ins. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000)) ("[W]hen the statute's language is plain, the sole function of the courts . . . is to enforce it according to its terms."); *South Carolina v. United States*, 199 U.S. 437, 448 (1905) ("That which it meant when adopted it means now."); ANTONIN SCALIA & BRYAN A. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 16 (2012) ("In their full context, words mean what they conveyed to reasonable people at the time they were written—with the understanding that general terms may embrace later technological innovations."). Although courts have not always followed a textualist approach to statutory interpretation, over the last several

established meaning in decisional law at the time of enactment, however, under the canon of imputed common law meaning, the term takes the meaning that it had in decisional law, along with the contours and exceptions that are applied in decisional law.⁸⁵ In other words, there are two ways for Congress to place limits upon a

decades modern Supreme Court cases have increasingly used textualism as the primarily lens of statutory interpretation. See John F. Manning, *Second-Generation Textualism*, 98 CAL. L. REV. 1287, 1291–93, 1304 (2010); James J. Brudney & Corey Ditslear, *The Decline and Fall of Legislative History? Patterns of Supreme Court Reliance in the Burger and Rehnquist Eras*, 89 JUDICATURE 220, 222 (2006); Philip P. Frickey, *Interpretive-Regime Change*, 38 LOY. L.A. L. REV. 1971, 1981 (2005); see also Christa J. Laser, *The Scope of IPR Estoppel: A Statutory, Historical, and Normative Analysis*, 70 FLA. L. REV. 1127, 1136–37 (2018) [hereinafter Laser, *The Scope of IPR Estoppel*] (discussing Supreme Court’s shift to a textualist approach and normative justifications for the same).

⁸⁵ See *Universal Health Servs., Inc. v. United States*, 579 U.S. 1, 8 (2016) (“[I]t is a settled principle of interpretation that, absent other indication, Congress intends to incorporate the well-settled meaning of the common-law terms it uses.”) (quoting *Sekhar*, 570 U.S. at 732); *Neder v. United States*, 527 U.S. 1, 23 (1999); *Evans v. United States*, 504 U.S. 255, 259–60 (1992) (quoting *Morissette v. United States*, 342 U.S. 246, 263 (1952)) (“[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed. In such case, absence of contrary direction may be taken as satisfaction with widely accepted definitions, not as a departure from them.”); *Nationwide Mut. Ins. v. Darden*, 503 U.S. 318, 322 (1992) (quoting *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 739 (1989)) (“[W]here Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms.”); SCALIA & GARNER, *supra* note 84, at 320–21 (“A statute that uses a common-law term, without defining it, adopts its common-law meaning”); *Gilbert v. United States*, 370 U.S. 650, 655 (1962) (“For in the absence of anything to the contrary it is fair to assume that Congress used that word in the statute in its common-law sense.”); *McCool v. Smith*, 66 U.S. (1 Black) 459, 469 (1861) (quoting *Hillhouse v. Chester*, 3 Day 166, 211–12 (Conn. 1808)) (“[W]henver our Legislature use a term without defining it . . . they must be supposed to use it in the sense in which it is understood in the English law.”); see also *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 102 (2011) (“Under the general rule that a common-law term comes with its common-law meaning, we cannot conclude that Congress intended to ‘drop’ the heightened standard of proof from the presumption simply because § 282 fails to reiterate it expressly.”). This canon is distinct from the canon against interpretation in derogation of the common law. See *United States v. Texas*, 507 U.S. 529, 534 (1993).

statutory doctrine: to spell out those limits in the text or to incorporate those limits as they are applied in decisional law.⁸⁶

Under the traditional approach to statutory interpretation that often predominates in the modern Supreme Court, the analysis of imputed decisional law must “begin with the state of the common law . . . when [the statute] was enacted.”⁸⁷ For example, in *Consolidated Rail Corp. v. Gottshall*, the Supreme Court determined that, although the common law of negligence had developed in the eight decades since enactment of the statute at issue, the Federal Employers’ Liability Act of 1908, the standard for negligence incorporated into the statute was limited to negligence as it was established in the common law at the time of enactment.⁸⁸ In *Sekhar v. United States*, the Supreme Court considered, when trying to determine the type of conduct that qualified as “extortion” under the Hobbs Act, *inter alia*, that, “[a]s far as is known, no case predating the Hobbs Act—English, federal, or state—ever identified conduct such as that charged here as extortionate.”⁸⁹ This does not preclude the application of steady law to new facts, but it means that courts examining the reach of a doctrine under the traditional approach would consider the imputed precedent as a potential limitation on the scope of those doctrines.⁹⁰ Patent law is one area of law where a significant debate

⁸⁶ See *Evans*, 504 U.S. at 259–60 (1992) (“[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind *unless otherwise instructed*. In such case, *absence of contrary direction* may be taken as satisfaction with widely accepted definitions, not as a departure from them.”(emphasis added)).

⁸⁷ See *Consol. Rail Corp.*, 512 U.S. at 554. *But see* Peter L. Strauss, *On Re-segregating the Worlds of Statute and Common Law*, 1994 SUP. CT. REV. 429, 436 (1994) (quoting Harlan Fiske Stone, *The Common Law in the United States*, HARV. L. REV. 4, 12 (1936)) (“A substantial number of statutory cases decided during October Term 1993 offered the Court a choice between treating statutes as static, isolated instructions from higher authority, and regarding them as part of a ‘unified system of judge-made and statute law.’ It tended to make the former choice, one that segregates statutes from the common law. [I]n the process, it diminishes both statute and common law, both legislature and court.”).

⁸⁸ *Consolidated Rail Corp.*, 512 U.S. at 554–57.

⁸⁹ *Sekhar*, 570 U.S. at 733.

⁹⁰ See *Browder v. United States*, 312 U.S. 335, 339 (1941) (“Old crimes, however, may be committed under new conditions. Old laws apply to changed situations.”); see SCALIA & GARNER, *supra* note 84, at 80.

exists as to the impact of codification on the law and the weight to be given to pre-codification decisional law because, as explored below, a body of decisional law existed prior to the Patent Act of 1952.

2. THE SURPRISING CONFORMITY OF EQUITY

One might assume, based on the origins of equity in pleas toward conscience and relief from law,⁹¹ that reference to equitable doctrines in a statute is also a reference to principles that are entirely flexible, changeable, able to adapt to any scenario, and able to prevent any injustice committed under the law.⁹² However, modern equity is more constrained than its origins suggest.⁹³ Under modern approaches, “courts of equity must be governed by rules and precedents no less than the courts of law.”⁹⁴ Even those cases that espouse flexibility in equity nevertheless apply standards and tests for defining the scope of an established set of equitable doctrines and attempt to follow precedent.⁹⁵

⁹¹ See Subrin, *supra* note 19, at 918 (noting the origins of equity in requests for relief from the tyranny of law); see also WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 61 (Sweet 1836) (quoting seventeenth century jurist Hugo Grotius as saying that equity is “the correction of that, wherein the law (by reason of its universality) is deficient.”).

⁹² See Bray, *supra* note 22, at 1011, 1016, 1018 (asserting that, historically, “equity had decisions, principles, even rules” but “no text that had been made supreme law through ratification,” making determining any consistent precedent of courts of equity “a fool’s errand” that can at best generate “an artificial history of equity.”).

⁹³ See DAVIES & VIRGO, *supra* note 40, at 4 (“But, over the years, Equity became more rule-based and principled, with identifiable doctrines being recognized. This was largely because the Equity jurisdiction was transferred from the Chancellor to judges, whose decisions had precedent for future decisions, so that like cases could be treated alike.”); Main, *supra* note 43, at 448 (“The administration of equity, much like the administration of law became bound and confined by the channels of its own precedents and the technicalities of its own procedures.”).

⁹⁴ *Lonchar v. Thomas*, 517 U.S. 314, 323 (1996) (Thomas, J., concurring) (quoting *Missouri v. Jenkins*, 515 U.S. 70, 127 (1995)). “[T]he fact that the writ has been called an ‘equitable’ remedy . . . does not authorize a court to ignore this body of statutes, rules, and precedents.” *Id.*

⁹⁵ See *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 244–47 (1933) (applying equitable principle of unclean hands, setting forth standards under which it applies, and determining whether facts fit within the scope of doctrine

Indeed, precedent and standards in the application of equitable principles are paramount to the rule of law.⁹⁶ Although equity sometimes has characteristics of discretion, “[d]iscretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike.”⁹⁷ As the Supreme Court has stated, “[T]he alternative is to use each equity chancellor’s conscience as a measure of equity, which alternative would be as arbitrary and uncertain as measuring distance by the length of each chancellor’s foot.”⁹⁸

as applied in prior precedent); *Pickford v. Talbot*, 225 U.S. 651, 658 (1912) (beginning a statement of standards applicable to equitable relief from judgment with following preface: “Without attempting to draw any precise line to which courts of equity will advance, and which they cannot pass . . .”); *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 237 (1892) (stating that judicial discretion to determine reach of equity is “exercised, it is true, according to the settled principles of equity, and not arbitrarily or capriciously, and always with reference to the facts of the particular case”); *see also Jenkins*, 515 U.S. at 127 (Thomas, J., concurring) (stating that, as early as the founding, “equity had developed into a precise legal system encompassing certain recognized categories of cases . . .”). *But see Bray*, *supra* note 22, at 1011, 1016, 1018 (asserting that, historically “equity had decisions, principles, even rules,” but “no text that had been made supreme law through ratification,” making determining any consistent precedent of courts of equity “a fool’s errand” that can at best generate “an artificial history of equity . . .”); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (stating that “[f]lexibility rather than rigidity has distinguished” equitable jurisdiction).

⁹⁶ *See Lonchar*, 517 U.S. at 323.

⁹⁷ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395 (2006) (Roberts, C.J., concurring) (quoting *Martin v. Franklin Cap. Corp.*, 546 U.S. 132, 139 (2005)).

⁹⁸ *Lonchar*, 517 U.S. at 323. The often-repeated caution not to measure equity by the “chancellor’s foot” is a reference to the following commentary reflecting the flexible equity of seventeenth century England:

1. Equity in law is the same that the spirit is in religion, what everyone pleases to make it. Sometimes they go according to conscience, sometimes according to law, sometimes according to the rule of court.

2. Equity is a roguish thing. For law we have a measure, know what to trust to; equity is according to the conscience of him that is chancellor, and as that is larger or narrower, so is equity. ‘Tis all one, as if they should make the standard for the measure we call a foot, a chancellor’s foot. What an uncertain measure would this be. One chancellor has a long foot, another a short

Moreover, some argue that constraints upon courts of equity were a consideration as early as the formation of the federal judiciary.⁹⁹ At the founding, after facing criticism by Anti-Federalists that the proposed equity jurisdiction of federal courts would grant too much power unconstrained by law, Alexander Hamilton stated, “To avoid an arbitrary discretion in the courts, it is indispensable that they should be bound down by strict rules and precedents, which serve to define and point out their duty in every particular case that comes before them”¹⁰⁰ English commentators likewise noted that if courts of equity were not constrained by precedent, their “powers would have become too arbitrary to have been endured in a country like this, which boasts of being governed in all respects by law and not by will.”¹⁰¹

Equitable doctrines have been subject to limits and standards for at least one hundred years.¹⁰² A traditional statutory analysis of provisions that incorporate equitable doctrines will, therefore, need to consider what limits and standards were applicable to these

foot, a third an indifferent foot; ‘tis the same thing in the chancellor’s conscience.

THE TABLE TALK OF JOHN SELDON 60–61 (Samuel Harvey Reynolds ed., Oxford, Clarendon Press 1892).

⁹⁹ See *Jenkins*, 515 U.S. at 126 (Thomas, J., concurring).

¹⁰⁰ See THE FEDERALIST NO. 78 (Alexander Hamilton) (discussing federal courts generally). Hamilton gave this reassurance in response to disputes between Federalists and Anti-Federalists over the scope of equity jurisdiction in Article III of the constitution, when Anti-Federalists expressed concern that federal equity courts would have too much power if they were not constrained by precedent. See *id.*; *Jenkins*, 515 U.S. at 126 (Thomas, J., concurring) (explaining history of dispute between Federalists and Anti-Federalists regarding Article III of the Constitution); Morley, *supra* note 45, at 231 (quoting LETTERS FROM THE FEDERAL FARMER III (Oct. 10, 1787), reprinted in THE COMPLETE ANTI-FEDERALIST 244 (Herbert J. Storing ed. 1981)) (noting that Anti-Federalists warned that equitable powers would enable federal judges to simply “step into his shoes of equity, and give what judgment his reason or opinion may dictate”); see also U.S. CONST. art. III, § 2 (“The judicial Power shall extend to all Cases, in Law and Equity”).

¹⁰¹ WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF ENGLAND 440 (Portland, Thomas B. Wait, & Co. 1807).

¹⁰² See DAVIES & VIRGO, *supra* note 40, at 4.

doctrines in prior decisional law.¹⁰³ Although the substantive law, at the time of enactment, might have incorporated a degree of discretion that could perhaps be imputed and carried over into modern interpretations, the broad contours of the doctrine may be limited by prior cases under traditional interpretive methods.¹⁰⁴

C. *Statutory Interpretive Regimes: Dynamic Versus Traditional*

1. DYNAMIC STATUTORY INTERPRETATION

Professor William Eskridge urged courts to engage in “dynamic statutory interpretation” this is an approach under which courts consider changes in societal and legal norms in determining the interpretation of legal texts.¹⁰⁵ Under the dynamic statutory interpretation approach, courts would follow the text of a statute when it is unambiguous; however, what a statute “ought to mean in terms of the needs and goals of our present day society” can outweigh other interpretive perspectives that are traditionally used to resolve ambiguity or fill gaps, such as perspectives that look to the intent of the legislature or textualist canons.¹⁰⁶ Indeed, Professor Eskridge urges “original legislative expectations” should not control meaning “when the statute is old and generally phrased and the societal or legal context of the statute has changed in material ways.”¹⁰⁷ Professor Eskridge’s dynamic approach is a milder variation of that of then-professor, now judge, Guido Calabresi, who proposed that in

¹⁰³ See *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 416–17 (1975) (quoting Eldon, L.C., in *Gee v. Pritchard*, 36 Eng. Rep. 670, 674 (1818) (stating that “when Congress invokes the Chancellor’s conscience to further transcendent legislative purposes, what is required is the principled application of standards consistent with those purposes and not ‘equity [which] varies like the Chancellor’s foot’” and concluding that reference in Title VII of the Civil Rights Act to court’s discretion to award back pay or other equitable relief did not mean that court’s discretion was unfettered by standards or shielded from review).

¹⁰⁴ See *DAVIES & VIRGO*, *supra* note 40, at 4; see also *Main*, *supra* note 43, at 448; *Nard*, *supra* note 8, at 53.

¹⁰⁵ Eskridge, *supra* note 7, at 1479; see also *Sunstein*, *supra* note 7, at 412 (arguing for a moderate dynamic approach that looks first to textual and interpretive canons).

¹⁰⁶ Eskridge, *supra* note 7, at 1480–81 (quoting Arthur W. Phelps, *Factors Influencing Judges in Interpreting Statutes*, 3 *VAND. L. REV.* 456, 469 (1950)).

¹⁰⁷ *Id.* at 1481.

an “age of statutes” courts should nevertheless retain powers to develop law as though statutes were no more than prior common law precedent, including in narrow cases, by engaging in “conscious[] review[]” of statutory text to ensure it meets present-day goals.¹⁰⁸ These flexible approaches evoke English law’s “equity of the statute,” which was used in England prior to the eighteenth century to justify exceptions or extensions of statutes based on the fairness of a case.¹⁰⁹

2. TRADITIONAL APPROACHES: THE FAITHFUL AGENT

In contrast with the dynamic approach, one traditional interpretive approach in American law urges that courts interpreting statutes are presumed to be Congress’s “faithful agents,” discerning and applying statutory texts in service of Congress’s directive.¹¹⁰ The choice of a theory of interpretation incorporates a choice of the appropriate, respective authority of Congress and the courts under our Constitution.¹¹¹ Critics of a dynamic approach urge that the U.S. Constitution broke from English practice in part because of a view that limiting judicial power and allocating lawmaking authority into the hands of a legislative branch would promote rule of law.¹¹² Under the traditional view, the formalization of bicameralism and presentment in the Constitution also militates against judicial lawmaking outside this process.¹¹³ Proponents of purposivism, intentionalism, and textualism all seek to discern Congress’s directive under a faithful agent approach to interpretation; however, each uses different tools to attempt to do so.¹¹⁴

¹⁰⁸ CALABRESI, *supra* note 7, at 2.

¹⁰⁹ See Manning, *supra* note 7, at 30.

¹¹⁰ See *id.* at 5; see Sunstein, *supra* note 7, at 415; see Zeppos, *supra* note 12, at 1313.

¹¹¹ See Schacter, *supra* note 13, at 593; Manning, *Constitutional Structure and Judicial Deference*, *supra* note 13, at 636–37.

¹¹² See Manning, *supra* note 7, at 57.

¹¹³ See U.S. CONST. art. I, § 7, cl. 2 (“Every Bill which shall have passed the House of Representatives and the Senate, shall, before it become a Law, be presented to the President of the United States”); see Manning, *supra* note 7, at 57–58.

¹¹⁴ See Manning, *supra* note 7, at 6–7; see also Sunstein, *supra* note 7, at 415–34.

II. APPLICATIONS OF EQUITY IN PATENT LAW

Most of equity in patent law today is governed by equitable doctrines that were broadly incorporated into statutory text by reference to prior decisional law, where they originated. For example, the Patent Act of 1836 provided that the availability of equitable relief in patent law would be determined “according to the course and principles of courts of equity.”¹¹⁵ As discussed below, in the late nineteenth and early twentieth centuries, decisional law developed that set forth the standards and structural contours of several particular equitable defenses.¹¹⁶ Defenses such as laches, estoppel, unclean hands, and misuse were then imputed into the 1952 Patent Act’s reference to the defense of unenforceability (and in some cases also modified by the statute, such as in the statutory exceptions to patent misuse). The determination of whether and how equitable doctrines were incorporated into the statutory text, and whether the doctrines can extend past their historical roots after incorporation, has immense impact: If the reach of an equitable defense is determined to extend into actions at law, the defense can render the entirety of an infringement verdict—including years of proven past violations of the patentee’s rights—uncollectable.¹¹⁷ In contrast, an equitable defense that does not reach into law would, in the modern era, only

¹¹⁵ Patent Act of 1836, ch. 357, 5 Stat. 117, 120 (1836). The portion of the current patent code setting forth the scope of the injunction remedy for patent infringement, provides that “[t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. § 283; *see also* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391–93 (2006) (interpreting this provision as requiring that courts granting an injunction apply a “traditional four-factor test” where “[a] plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.”). There is no similar reference to equity in the portion of the Patent Act that provides the damages remedy for infringement. 35 U.S.C. § 284 (“Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement . . .”).

¹¹⁶ *See infra* Part II.B.–F.; Nard, *supra* note 8, at 53–54.

¹¹⁷ *See* Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. 663, 684 (2014).

extend to equitable or prospective relief such as the right to injunction.¹¹⁸

As of this writing, the Supreme Court has yet to define the impact of codification of many of these equitable defenses. The Supreme Court recently determined that the equitable defense of laches is not available to bar damages in actions at law within the applicable statute of limitations; however, it left open whether laches might result in unenforceability under different circumstances.¹¹⁹ The Supreme Court has also noted that equitable estoppel, which barred actions at law before the merger of law and equity, remains available to bar actions at law.¹²⁰ However, the Supreme Court has not decided to what extent substantive equitable defenses such as unclean hands, inequitable conduct, or misuse are applicable in actions at law and to what extent any of these defenses can expand to new scenarios unlike those applicable in the decisional law at the time of enactment. Most recently, in 2019, the Court denied certiorari in *Merck & Co. v. Gilead Sciences, Inc.*, which had posed the question of whether and under what circumstances unclean hands could bar damages at law.¹²¹

As litigants begin to press courts to apply equitable defenses to bar entire actions for patent litigation or extend these doctrines in other ways, courts will need to decide how to apply these defenses.¹²² However, to apply these nuanced doctrines accurately,

¹¹⁸ See *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 966–67 (2017).

¹¹⁹ See *id.* at 967.

¹²⁰ See *Petrella*, 572 U.S. at 684 (“The gravamen of estoppel, a defense long recognized as available in actions at law, is misleading and consequent loss.”) (internal citations omitted); Hinton, *supra* note 51, at 721 (“Formerly, a defendant, when sued at law, had no defense on the ground of equitable estoppel, but was forced into equity for an injunction to restrain the prosecution of the action. In the course of time, however, in spite of theoretical objections and practical difficulties, equitable estoppels became generally recognized as defenses at law”); see also *Kirk v. Hamilton*, 102 U.S. 68, 78 (1880) (discussing application of equitable estoppel in an action at law).

¹²¹ *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1233, 1247 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 797 (2019).

¹²² See *SCA Hygiene*, 137 S. Ct. at 967–68 (Breyer, J., dissenting); see also Eskridge, *supra* note 7, at 1479; Sunstein, *supra* note 7, at 412. For example, litigants might attempt to extend equitable defenses to bar remedies based on the

courts must engage not only with the equities of a particular case but also with statutory history, doctrinal history, and the appropriateness of given interpretive lenses. This Part seeks to set out the statutory history and historical decisional law around each of these defenses to ease that burden.

A. *Section 282: Statutory Basis for Unenforceability Defenses*

The Patent Act provides a statutory right to a civil action to recover for patent infringement: “A patentee shall have remedy by civil action for infringement of his patent.”¹²³ However, this right is not inviolable because section 282 of the Patent Act makes available certain “defenses in any action involving the validity or infringement of a patent.”¹²⁴ Among other defenses, such as noninfringement and invalidity for failure to comply with the preconditions for patentability listed in the patent statute, section 282 provides that “unenforceability” of a patent shall be a defense:

(b) Defenses.—The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability.

(2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.

(3) Invalidity of the patent or any claim in suit for failure to comply with—

(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

assertion of large numbers of patents, high pricing of patented goods, or the sending of numerous cease and desist letters.

¹²³ 35 U.S.C. § 281.

¹²⁴ 35 U.S.C. § 282(b).

(B) any requirement of section 251.

(4) Any other fact or act made a defense by this title.¹²⁵

The text of the patent statute provides no definition of what constitutes a defense of “unenforceability” and what the legal effect of an unenforceability defense would be.¹²⁶ In this circumstance, the statutory interpretive canons, as currently applied by the Supreme Court, would direct the analysis both to a review of statutory history and considerations of the standards and limitations of the referenced doctrine under established decisional law at the time of enactment.¹²⁷

¹²⁵ *Id.*

¹²⁶ *See id.*

¹²⁷ *Supra* Part I.B.; *see also* *Universal Health Servs., Inc. v. United States*, 579 U.S. 1, 8 (2016) (quoting *Sekhar v. United States*, 570 U.S. 729, 732 (2013)) (“[I]t is a settled principle of interpretation that, absent other indication, Congress intends to incorporate the well-settled meaning of the common-law terms it uses.”); *Neder v. United States*, 527 U.S. 1, 23 (1999) (imputing a requirement of materiality from common law test for fraud to a statute using an undefined term “defraud”); *Evans v. United States*, 504 U.S. 255, 259–60 (1992) (quoting *Morissette*, 342 U.S. at 263 (1952)) (“[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed. In such case, absence of contrary direction may be taken as satisfaction with widely accepted definitions, not as a departure from them.”); *Nationwide Mut. Ins. v. Darden*, 503 U.S. 318, 322 (1992) (“[W]here Congress uses terms that have accumulated settled meaning under . . . the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms”) (quoting *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 739 (1989)); SCALIA & GARNER, *supra* note 84, at 320–22 (“A statute that uses a common-law term, without defining it, adopts its common-law meaning” although the common law that will be imputed is that from either the Supreme Court or from a “uniform interpretation” by other courts); *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 102 (2011) (“Under the general rule that a common-law term comes with its common-law meaning, we cannot conclude that Congress intended to ‘drop’ the heightened standard of proof from the presumption simply because § 282 fails to reiterate it expressly.”); *Gilbert v. United States*, 370 U.S. 650, 655 (1962) (“For in the absence of anything to the contrary it is fair to assume that Congress used that word in the statute in its common-law sense.”); *McCool v.*

Although legislative history is not a primary source of statutory meaning under current Supreme Court approaches,¹²⁸ the legislative history, if used here, would reinforce approaches that look to or incorporate decisional law. Specifically, in congressional statements, legislators noted that the addition of unenforceability was meant to codify the decisional law of unenforceability that existed at the time of enactment:

The Senate amendments are primarily technical. The addition of the words “or unenforceability”—this is the subject matter of the committee amendment No. 3—will place in the code this word which has been used in numerous court decisions under the section in question.¹²⁹

When asked whether “the bill change[s] the law in any way or only codif[ies] the present patent laws,” the senator that entered the above-quoted statement responded, “It codifies the present patent laws.”¹³⁰

Looking closer at statutory history,¹³¹ defenses to patent infringement were previously set out by statute in the Patent Act of 1870:

Smith, 66 U.S. (1 Black) 459, 469 (1861) (quoting *Chester*, 3 Day at 211–12) (“[W]henver our Legislature use a term without defining it . . . they must be supposed to use it in the sense in which it is understood in the English law.”).

¹²⁸ See *Exxon Mobil Corp. v. Allapattah Serv., Inc.*, 545 U.S. at 568 (stating that, under Supreme Court’s current approach to statutory interpretation, “the authoritative statement is the statutory text, not the legislative history or any other extrinsic material.”).

¹²⁹ 98 CONG. REC. 9249, 9323 (July 4, 1952) (statements of Sen. McCarran).

¹³⁰ *Id.*; see *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 180 (1980) (“[I]n its 1952 codification of the patent laws Congress endeavored, at least in part, to substitute statutory precepts for the general judicial rules that had governed prior to that time.”); see also Federico, *supra* note 84, at 166 (“The patent act of 1952 [this title] stems from two movements, one to amend the patent laws, and the other to revise and codify the laws of the United States.”).

¹³¹ See SCALIA & GARNER, *supra* note 84, at 256 (stating that statutory history, i.e., amendments or repeal of provisions over time, may be considered when interpreting a statute and history of a statute is presumed to be known by Congress when amending a statute).

And be it further enacted, That in any action for infringement the defendant may plead the general issue, and having given notice in writing to the plaintiff or his attorney, thirty days before, may prove on trial any one or more of the following special matters:—

First. That for the purpose of deceiving the public the description and specification filed by the patentee in the patent office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same; or,

Third. That it had been patented or described in some printed publication prior to his supposed invention or discovery thereof; or,

Fourth. That he was not the original and first inventor or discoverer of any material and substantial part of the thing patented; or,

Fifth. That it had been in public use or on sale in this country, for more than two years before his application for a patent, or had been abandoned to the public. . . .

And the like defenses may be pleaded in any suit in equity for relief against an alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect.¹³²

¹³² Act of July 8, 1870, ch. 230, § 61, 16 Stat. 198, 208 (codified as amended at 60 Rev. Stat. § 4920 (1874)).

The 1870 statute includes no mention of unenforceability, although it included several defenses based on deception in obtaining a patent.¹³³ This provision was not further amended until the Patent Act of 1952, which *inter alia*, added the concept of unenforceability, amending section 282 to its current form.¹³⁴ There are two ways in which the modifications made in 1952 were potentially significant as to the reach of equitable defenses.¹³⁵

First, the addition of unenforceability invokes more and different defenses than the previous defenses of deception in obtaining a patent. Specifically, a limited defense was previously available under the 1870 statute¹³⁶ for deceptively obtaining a patent invented by another person or deceptively claiming something different than one invented (and deception in obtaining a patent was mentioned in the statutes, although did not serve as a full defense, between 1790 and 1870, as discussed further in the inequitable conduct section).¹³⁷ Under the statute as written in 1870, this deception functioned not only to bar equitable claims but also claims at law.¹³⁸ Given this outcome, deception in obtaining a patent beyond the scope of one's invention might more accurately be described as a species of invalidity than an equitable defense.¹³⁹

¹³³ See Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206.

¹³⁴ See Patent Act of 1952, ch. 950, § 282, 66 Stat. 792, 812 (codified as amended in 35 U.S.C. § 282); see also S. REP. NO. 82-1979 at 9 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2394, 2402-03. The legislative committee reports urge that at a high level the change did not materially alter the statute. See S. REP. NO. 82-1979 at 9 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2394, 2403 (stating that "[t]he defenses to a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing the substance"); H.R. REP. NO. 82-1923, at 10 (1952) (explaining that five defenses named in R.S. 4920 the Patent Act of 1870 are omitted and replaced by a broader paragraph specifying defenses in general terms).

¹³⁵ See Patent Act of 1952, ch. 950, § 282, 66 Stat. 792, 812 (codified as amended in 35 U.S.C. § 282); *infra* Part II.C.

¹³⁶ Act of July 8, 1870, ch. 230, § 54, 16 Stat. 198, 206.

¹³⁷ *Infra* Part II.C.

¹³⁸ See Act of July 8, 1870, ch. 230, § 61, 16 Stat. 198, 208. ("[T]he like defenses may be pleaded in any suit in equity for relief against an alleged infringement [or] in the answer of the defendant . . .").

¹³⁹ See *Walker Process Equip., Inc. v. Food & Mach. & Chem. Corp.*, 382 U.S. 172, 175-76 (1965) ("[A] person sued for infringement may challenge the validity of the patent on various grounds, including fraudulent procurement.").

The 1952 Patent Act added something more: As noted in the congressional floor statements, the defense of unenforceability invoked the word as it “ha[d] been used in numerous court decisions.”¹⁴⁰ At the time of the Patent Act’s enactment, unenforceability encompassed unclean hands (such as severe litigation misconduct, bribery, or manufacture or suppression of evidence that related to the request for relief sought),¹⁴¹ a derivative of unclean hands termed “patent misuse” (anticompetitive conduct in excess of the patent scope),¹⁴² and procedural fairness doctrines (such as laches and estoppel).¹⁴³ Providing reassurance that these are the defenses referred to by the term “unenforceability,” two years after the 1952 Patent Act’s enactment, one of its drafters stated that section 282 “would include . . . equitable defenses such as laches, estoppel and unclean hands”:

The defenses which may be raised in an action involving the validity or infringement of a patent are specified in general terms, by the second paragraph of section 282, in five numbered items. Item 1 specifies “Noninfringement, absence of liability for infringement, or unenforceability” (the last word was added by amendment in the Senate for greater clarity); this would include the defenses such as that the patented invention has not been made, used or sold by the defendant; license; and equitable defenses such as laches, estoppel and unclean handsAll the defenses usually listed in textbooks on patent law may be placed in one or another of the enumerated categories, except a few which are no longer applicable in view of changes in the new statute.¹⁴⁴

The Supreme Court’s current approach to statutory interpretation would dictate looking to these doctrines as they existed at the time of enactment, as is examined in detail in the sections below.¹⁴⁵

¹⁴⁰ 98 CONG. REC. 9249, 9323 (1952) (statements of Sen. McCarran).

¹⁴¹ *Infra* Part II.D.

¹⁴² *Infra* Part II.F.

¹⁴³ *Infra* Part II.B.–C.

¹⁴⁴ Federico, *supra* note 27, at 215–16.

¹⁴⁵ *Supra* Part I.B.

Second, when replacing the 1870 Patent Act with the 1952 Patent Act, Congress eliminated its statement that the listed “defenses may be pleaded in any suit in equity for relief against an alleged infringement” or “in the answer of the defendant, and with the like effect,” i.e., as a defense in an action at law, and left in its place only that “the following shall be defenses in any action.”¹⁴⁶ Both the text and legislative history are silent on whether, as a result of this change, what was referred to as unenforceability at the time would now act to bar all legal claims.¹⁴⁷ There are three possible ways to interpret this change. First, the phrase “defenses in any action” could mean that these defenses would apply equally and substantively to law or equity, but this would be contrary to the interpretation of similar language used in the first steps toward the merger of law and equity, whereby the mere procedural availability of a defense in any action did not necessarily make that defense sufficient to bar all legal claims.¹⁴⁸ As a second alternative, the removal of this statement could mean that the listed matters would no longer constitute a defense to both law and equity—only those described as invalidity would apply to both, whereas unenforceability would only refer to equitable relief¹⁴⁹. However, the differences between the 1870 and 1952 language are not sufficiently clear to presume such a stark change in meaning. As a third alternative, courts could read the statutory lack of clarity as requiring either, under a dynamic approach, courts to determine the boundaries or, under a faithful agent approach, courts to examine the decisional law available at the time to determine the reach of defenses with previously established meanings in common law. Under the third approach, courts would not assume that facts sufficient to support restriction of equitable relief

¹⁴⁶ Compare 35 U.S.C. § 282(b) with Act of July 8, 1870, ch. 230, § 61, 16 Stat. 198, 208.

¹⁴⁷ See S. REP. NO. 82-1979 at 8–9 (1952), reprinted in 1952 U.S.C.C.A.N. 2394, 2402–03; see H.R. REP. NO. 82-1923, at 10 (1952); see Federico, *supra* note 27, at 215.

¹⁴⁸ 35 U.S.C. § 282(b); see *Liberty Oil Co. v. Condon Nat'l. Bank*, 260 U.S. 235, 242 (1922) (stating that 1915 Law and Equity Act, which made equitable defenses available in actions at law, did not effect a substantive change).

¹⁴⁹ See SCALIA & GARNER, *supra* note 84, at 256 (noting that when an amendment of a statute makes a substantive change to language of statutory provision, amendment is presumed to result in a change in meaning, as long as that reading would not conflict with text).

are sufficient to bar legal relief but would instead adopt a case-by-case approach that draws guidance from prior decisional law.

B. *Equitable Estoppel*

Equitable estoppel is one of the few equitable defenses that was completely assimilated into actions at law.¹⁵⁰ The doctrine of equitable estoppel first developed in courts of equity.¹⁵¹ Equitable estoppel bars recovery when a party seeking relief engages in misleading conduct on which another relies to their detriment.¹⁵² This defense is not unique to patent cases¹⁵³ but can arise in patent cases when the patentee communicates that it will not press an infringement claim against the alleged infringer for specific activities.¹⁵⁴ Previously, a party raising equitable estoppel against an action at law had to seek the aid of a court of equity to restrain the action at law; long before the merger of law and equity, equitable estoppel was directly available in courts of law to bar legal relief.¹⁵⁵ Indeed, as early as 1880, the Supreme Court stated that equitable estoppel “has been applied in cases arising in courts of law.”¹⁵⁶ Because equitable estoppel was available in actions at law prior to codification of unenforceability defenses in the 1952 Patent Act,¹⁵⁷ equitable estoppel

¹⁵⁰ See *Kirk v. Hamilton*, 102 U.S. 68, 77–78 (1880) (explaining that the application of equitable estoppel should not be “restricted in courts of law”).

¹⁵¹ See *id.* at 78 (discussing origins of doctrine in equity); see Hinton, *supra* note 51, at 721.

¹⁵² See *Heckler v. Cmty. Health Servs. of Crawford Cnty., Inc.*, 467 U.S. 51, 59 (1984); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 684 (2014). (“The gravamen of estoppel, a defense long recognized as available in actions at law, . . . is misleading and consequent loss.”).

¹⁵³ See *New Hampshire v. Maine*, 532 U.S. 742 (2001).

¹⁵⁴ See *A.C. Aukerman Co. v. R.L. Chades Const. Co.*, 960 F.2d 1020, 1042 (Fed. Cir. 1992) (“The patentee’s conduct must have supported an inference that the patentee did not intend to press an infringement claim against the alleged infringer In the most common situation, the patentee specifically objects to the activities currently asserted as infringement in the suit and then does not follow up for years.”).

¹⁵⁵ Hinton, *supra* note 51, at 721 (“Formerly, a defendant, when sued at law, had no defense on the ground of equitable estoppel, but was forced into equity for an injunction to restrain the prosecution of the action. In the course of time, however, in spite of theoretical objections and practical difficulties, equitable estoppels became generally recognized as defenses at law”).

¹⁵⁶ *Kirk v. Hamilton*, 102 U.S. 68, 77 (1880).

¹⁵⁷ See *Petrella*, 572 U.S. at 684.

would be available to bar actions at law in cases decided under that statute, regardless of the interpretive lens through which one viewed equitable defenses.

C. *Laches*

Laches, on the other hand, is a procedural equitable doctrine that the Supreme Court has determined is limited in actions at law.¹⁵⁸ Specifically, the Supreme Court held in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC* that the equitable defense of laches is not available to bar damages in actions at law within the applicable statute of limitations.¹⁵⁹ Laches is a defense developed in courts of equity that applies when a plaintiff acts with “unreasonable, prejudicial delay in commencing suit.”¹⁶⁰ In briefs submitted to the *SCA Hygiene* Court, scholars and stakeholders debated alternate histories of laches and interpretations of the “unenforceability” defenses in section 282.¹⁶¹ Some cited cases where courts had extended laches to bar actions at law, and yet, others noted that there was no uniform consensus of lower courts nor a Supreme Court decision holding that laches could be extended to bar remedies at law prior to the Patent Act.¹⁶² Ultimately, however, the Supreme Court sidestepped the question of history and determined that the patent statute’s six-year statute of limitations, 35 U.S.C. § 286, precluded any equitable defense of laches that might otherwise apply to claims for damages brought within that time period.¹⁶³ The Court held that “[w]hen Congress enacts a statute of limitations, it speaks directly to the issue of timeliness”¹⁶⁴ Ultimately, the Supreme Court’s decision in *SCA Hygiene* left open the questions of whether laches might result in unenforceability in other ways, such

¹⁵⁸ See *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 966–67 (2017).

¹⁵⁹ *Id.*

¹⁶⁰ *Id.* at 960.

¹⁶¹ See *id.* at 963 (discussing arguments regarding statutory interpretation of the Patent Act’s reference to unenforceability); Brief of Amicus Curiae Law Professors in Support of Petitioners at 6–7, *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. 954 (No. 15-927).

¹⁶² See *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. at 963; see Brief of Amicus Curiae Law Professors in Support of Petitioners, *supra* note 161.

¹⁶³ See *SCA Hygiene*, 137 S. Ct. at 967.

¹⁶⁴ *Id.* at 960.

as barring only equitable remedies, what impact pre-codification history has on the reach of equitable defenses, or whether, and in what ways, equitable defenses can develop after codification.¹⁶⁵

These two procedural equitable defenses, equitable estoppel and laches, reflect two different ends of the spectrum with respect to incorporating equity into actions at law, with equitable estoppel barring all remedies at law and laches barring none under the Supreme Court's current approach.¹⁶⁶ For the remaining defenses discussed herein, the substantive defenses of unclean hands, inequitable conduct, and misuse, the Supreme Court has not fully elucidated their reach. The history of these defenses, as discussed in the pages that follow, is also widely misunderstood.

D. *Unclean Hands*

1. LAW AS OF ENACTMENT

As of the 1952 Patent Act, unclean hands is another doctrine that provided a remedy of patent unenforceability.¹⁶⁷ Under the doctrine of unclean hands, one who seeks relief from a court of equity must come to court with "clean hands."¹⁶⁸ Specifically, a court of equity may dismiss the claim for equitable relief where the party seeking relief has committed an "unconscionable act . . . [that] has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation."¹⁶⁹

In a series of cases decided before the 1952 Patent Act's enactment, the Supreme Court examined the contours of the unclean hands doctrine in patent law, holding that the doctrine can bar assertion of a patent for unconscionable conduct, including fraud, bribery, perjury, and suppression of evidence, where the conduct is

¹⁶⁵ See *id.* at 959.

¹⁶⁶ See *Kirk v. Hamilton*, 102 U.S. 68, 77–78 (1880) (explaining that application of equitable estoppel should not be "restricted in courts of law"); see *SCA Hygiene*, 137 S. Ct. at 964–67.

¹⁶⁷ See *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 241–47 (1933).

¹⁶⁸ *Id.* at 241.

¹⁶⁹ *Id.* at 245.

related to the request for relief.¹⁷⁰ Under this line of cases, a finding of unclean hands could result in unenforceability, in whole or in part, barring equitable claims where a party committed an unconscionable act related to the equitable relief sought¹⁷¹ and barring legal claims, or providing relief from judgment at law, where a party committed fraud in obtaining the patent or the judgment, among other narrow circumstances.¹⁷² In essence, as will be explained below, this line of cases establishes two distinct subspecies of unclean hands: (1) unconscionable conduct sufficient to bar equitable relief, in which the court has some discretion, albeit constrained by the precedents of equity in light of codification in the Patent Act; and (2) unconscionable conduct sufficient to bar legal relief, which is limited to the narrow circumstances in which a party historically could have interposed equity against a case at law, including fraud.¹⁷³

First, in 1933, the Supreme Court in *Keystone* held that a patentee's manufacture and suppression of evidence in a lawsuit justified dismissal of a patent infringement suit brought in equity under the doctrine of unclean hands.¹⁷⁴ Although the suit at issue was brought in a court of equity, it included requests for both an injunction and damages, as permitted in courts of equity by the Patent Act of 1870.¹⁷⁵ The basis for unclean hands was that, before bringing a

¹⁷⁰ See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (blackmail and suppression of evidence); see *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 240, 245 (1944) (manufacture and suppression of evidence and bribery); see *Keystone Driller Co.*, 290 U.S. at 243–44 (bribery and suppression of evidence).

¹⁷¹ See *Keystone Driller Co.*, 290 U.S. at 247 (dismissing suit for patent infringement that was brought in a court of equity).

¹⁷² See *Hazel-Atlas Glass Co.*, 322 U.S. at 240, 245.

¹⁷³ See *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 236 (1892) (declining to grant equitable relief but not holding written instrument invalid, noting that “whether this contract be absolutely void, as contravening public policy, or not, we are clearly of the opinion that it does not belong to that class of contracts, the specific performance of which a court of equity can be called upon to enforce.”); Ames, *supra* note 60, at 51 (discussing limited circumstances under which equity could be interposed to bar a contract claim at law, including fraud in the formation of the contract).

¹⁷⁴ *Keystone Driller Co.*, 290 U.S. at 245–47.

¹⁷⁵ See *Gen. Excavator Co. v. Keystone Driller Co.*, 62 F.2d 48, 48–51 (6th Cir. 1932), *aff'd*, 290 U.S. 240 (1933). Courts of equity were able to provide

prior lawsuit against another party, the patentee, suspecting that prior use by Bernard Clutter could invalidate the patent that the patentee sought to assert, paid Mr. Clutter to suppress evidence of his prior use and sign an affidavit declaring that such use was experimental.¹⁷⁶ The court in the prior case did not discover the evidence of prior public use and found the patent valid and infringed.¹⁷⁷ The patentee then brought a second suit against General Excavator, and relied upon its success in the prior suit as a basis for a request for temporary relief, which the district court granted in part.¹⁷⁸

On appeal, the Court of Appeals for the Sixth Circuit determined that the patentee's unclean hands barred equitable relief, but not necessarily legal relief, and instructed dismissal of the suit at equity without prejudice to filing a new suit for damages at law:¹⁷⁹

Under the above-stated principles we are of the opinion that the plaintiff should have been denied relief *in a court of equity*. The decrees of the District Court are reversed, and the causes are remanded, with instructions to dismiss the bills of complaint *without prejudice to the prosecution of suits at law*, or,

damages remedies in patent infringement cases pursuant to the Patent Act of 1870, in addition to injunction and restitutionary remedies, whereas courts of law were only permitted to grant legal remedies. *See supra* § I.B.

¹⁷⁶ *Keystone Driller Co.*, 290 U.S. at 243. The payment for the affidavit included an additional contingent payment in the event the patent was found valid by the court. *See Gen. Excavator Co.*, 62 F.2d at 49. Although the patentee was aware of the prior use before issuance of the patent, patentee's counsel advised him that it could be an experimental use, so patentee proceeded with patenting without disclosing the use and only approached Mr. Clutter shortly prior to filing the first suit. *Id.* at 50–51. Therefore, there was no manufacture of evidence as part of obtaining the patent from the Patent Office. *Id.* at 50–51.

¹⁷⁷ *Keystone Driller Co.*, 290 U.S. at 242.

¹⁷⁸ *Id.* (noting that district court denied temporary injunctive relief but ordered payment of a bond to cover future restitutionary or damages awards).

¹⁷⁹ *See Gen. Excavator Co.*, 62 F.2d at 50–51. Prior to the creation of the United States Court of Appeals for the Federal Circuit in 1982, which has exclusive jurisdiction over patent appeals, patent cases were appealed to regional circuit courts of appeal. *See id.*; 28 U.S.C. § 1295(a)(1) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—(1) of an appeal . . . in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents . . .”).

indeed, to subsequent actions in equity upon the other patents in suit.¹⁸⁰

The Sixth Circuit's decision also left open the possibility that a suit not tainted by such misconduct could proceed, such as a new suit (even perhaps one at equity) that lacks the request for temporary relief that was tainted by suppressed evidence.¹⁸¹

The Supreme Court affirmed the Sixth Circuit's decision, including the determination that the dismissal was without prejudice to suits at law, although the Court's opinion did not address the distinction that the Sixth Circuit drew between application of unclean hands in law versus in equity.¹⁸² Instead, the Supreme Court's analysis in *Keystone* focused primarily on whether the unclean hands in the prior action was sufficiently related to the second suit to justify application of the doctrine of unclean hands to bar the second suit, highlighting the need for a nexus between the complained-of conduct and the suit at issue.¹⁸³ The Court found that it was sufficiently related, primarily because the temporary relief in the second suit,

¹⁸⁰ *Gen. Excavator Co.*, 62 F.2d at 50–51 (emphases added).

¹⁸¹ *See id.* at 51 (“Possibly the plaintiff may now have the right to commence anew an action in equity upon all the patents, including patent No. 1,511,114. Upon this we express no opinion.”). In an opinion denying the request for rehearing, the appellate court further emphasized the equitable nature of the defense. *See Gen. Excavator Co.*, 64 F.2d at 39–40 (“Prior to the adopted of the New Equity Rules (28 USCA § 723), the question could never have arisen for a bill covering multiple causes of action would have been bad for duplicity. Such new Equity Rules are not intended to change the general nature and characteristics of a court of equity as a court of conscience in which the granting of relief is largely discretionary and the court is not bound by hard and fast rules. It is true that a system of equity practice has grown up and that present-day courts are inclined to follow precedents rather strictly. On the other hand, we have not held any of the patents in suit invalid for adjudicated any of the rights of the parties inter sese. The doctrine which we have applied is simply that if one, as actor, seeks to set the judicial machinery in a court of equity in motion upon grounds in respect to which his conduct is sullied, he will find the doors of the court closed against him.” (citations omitted)).

¹⁸² *Keystone Driller Co.*, 290 U.S. at 244, 247.

¹⁸³ *See id.* at 245–47 (“But courts of equity do not make the quality of suitors the test . . . They do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.”).

which would be burdensome to defendants during the progress of suit, depended on the fact that the patent was found valid and infringed in the prior suit.¹⁸⁴

Keystone highlights that a court may bar equitable relief where the party seeking relief commits an unconscionable act, including bribery and suppression of evidence, that forms the basis for the request for relief.¹⁸⁵ *Keystone* also provides a glimpse into the tension that existed at the time between flexibility and conformity in equity, holding that courts determining the appropriateness of equitable relief had discretion within limits.¹⁸⁶ Specifically, although the Court in *Keystone* stated that “[courts of equity] are not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion,” the Court also set forth conditions on that discretion: “[C]ourts of equity do not make the quality of suitors the test”, but rather, the act must be “unconscionable” and have an “immediate and necessary” nexus to the relief sought.¹⁸⁷

Second, in 1944, in *Hazel-Atlas Glass Co. v. Hartford Empire Co.*, the Supreme Court held that when the patentee used bribery and manufactured evidence with the intent to defraud both the Patent Office in issuing the patent and the courts during litigation, the doctrine of unclean hands could be used to overturn a previous judgment of validity and infringement arising from a court of equity (where the patentee sought both equitable relief and damages).¹⁸⁸ The patent applicant in *Hazel-Atlas*, in response to “insurmountable Patent Office opposition” to its patent application, paid a prominent trade professional to publish what he made appear to be an unbiased article declaring the invention groundbreaking.¹⁸⁹ Then, the Patent Office granted the patent.¹⁹⁰ The patentee brought suit for infringement and

¹⁸⁴ *Id.* at 246–47.

¹⁸⁵ *See id.* at 245–47.

¹⁸⁶ *Id.* at 245–46.

¹⁸⁷ *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245–46 (1933).

¹⁸⁸ *See Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 240, 249–51 (1944). Because the original suit was filed in 1928 and sought both injunction and damages, it could only have been brought in the court of equity, the only court at the time that could grant both equitable and legal remedies. *See id.* at 241 (noting that complaint “pray[ed] for an injunction against further infringement and for an accounting for profits and damages.”).

¹⁸⁹ *Id.* at 240.

¹⁹⁰ *Id.* at 241.

lost at the district court, but on appeal relied heavily on the article to obtain a decision from the appeals court that the patent was valid and infringed.¹⁹¹ Thereafter, the parties settled, so the court did not rule on damages.¹⁹² When the fraud was uncovered years later, the Supreme Court reversed the prior judgment and directed judgment to be entered against the patentee, noting, “[t]he total effect of all this fraud, practiced both on the Patent Office and the courts, calls for nothing less than a complete denial of relief to Hartford for the claimed infringement of the patent thereby procured and enforced.”¹⁹³

The Court in *Hazel-Atlas* cited a long-standing rule in equity whereby an injunction could be entered to stop enforcement of a judgment from any court in the event of fraud that formed the basis of the entry of judgment.¹⁹⁴ The Court cited cases decided outside of patent law and well before the merger of law and equity that held that a court in equity could enjoin a party from collecting damages on a judgment that was based on fraud.¹⁹⁵ For example, in one of the cases cited in *Hazel-Atlas*, *Marshall v. Holmes*, the Court held that where a prior judgment for damages at law was based upon “false testimony and forged documents,” “established principles of equity” justified “protection against the judgments alleged to have been fraudulently obtained.”¹⁹⁶

Another pre-merger case on which the Court in *Hazel-Atlas* relied held that relief from a judgment at law was available in a court of equity where there was “something to render it manifestly unconscionable for his successful adversary to enforce the judgment,” such as fraud in obtaining the judgment.¹⁹⁷ The Court noted that

¹⁹¹ *Id.*

¹⁹² *Id.* at 243–244.

¹⁹³ *Id.* at 250.

¹⁹⁴ *Id.* at 244 (“From the beginning there has existed alongside the term rule a rule of equity to the effect that under certain circumstances, one of which is after-discovered fraud, relief will be granted against judgments regardless of the term of their entry.”).

¹⁹⁵ *Id.* (citing *Marshall v. Holmes*, 141 U.S. 589, 601 (1891)).

¹⁹⁶ *Marshall*, 141 U.S. at 590, 601.

¹⁹⁷ *Pickford v. Talbot*, 225 U.S. 651, 657 (1912) (“In order to warrant the interposition of a court of equity to restrain the enforcement of a judgment at law, it is, of course, not sufficient for the defeated party to show that because of some

such an interposition of equity could also be based on newly discovered evidence that could not have been previously discovered and that makes maintaining the judgment unconscionable¹⁹⁸—what today would form the basis for a retrial.¹⁹⁹ Indeed, the Supreme Court has noted that courts in equity in England had powers to render patents unenforceable if they were obtained by fraud.²⁰⁰ Contracts and land patents that were procured by fraud could also historically be modified or rendered invalid by a court of equity such that they could no longer support a suit at law.²⁰¹ This line of cases provides historical support for an equitable defense of unclean hands that provides relief from judgment at law in narrow circumstances, such as fraud in obtaining a prior court judgment or fraud in obtaining a written instrument, such as a patent.²⁰²

In a third Supreme Court patent case on unclean hands, *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, a party obtained via blackmail the rights to another's

newly discovered evidence pertaining to an issue in the case, or because of some newly discovered fact that might have been put in issue, he would probably have a better prospect of success on a retrial of the action. He must show something to render it manifestly unconscionable for his successful adversary to enforce the judgment.”).

¹⁹⁸ *Id.* at 658 (“Without attempting to draw any precise line to which courts of equity will advance, and which they cannot pass, in restraining parties from availing themselves of judgments obtained at law, it may safely be said that any fact which clearly proves it to be against conscience to execute a judgment, and of which the injured party could not have availed himself in a court of law; or of which he might have availed himself at law, but was prevented by fraud or accident unmixed with any fault or negligence in himself or his agents, will justify an application to a court of chancery.”).

¹⁹⁹ FED. R. CIV. P. 60(b)(2).

²⁰⁰ *See* *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 361 (1888) (discussing English cases and noting that “in a case of fraud in the obtaining of a patent, a Court of Chancery, by virtue of that fact, has jurisdiction to repeal or revoke it”).

²⁰¹ *Mfrs.’ Fin. Co. v. McKey*, 294 U.S. 442, 449, 451 (1935) (noting that equitable defense of unclean hands was “inapplicable” on those facts to a contract case brought at law, yet noting that contract was valid and no fraud was alleged and citing cases indicating that a contract procured by fraud could justify the interposition of equity); *see* *Moore v. Robbins*, 96 U.S. 530, 533, 535 (1877) (noting that a court of equity could invalidate a land patent, stating that “in this class of cases, as in all others, there exists in the courts of equity the jurisdiction to . . . relieve against frauds”).

²⁰² *See Mfrs.’ Fin. Co.*, 294 U.S. at 449.

patent that it knew was obtained by false declarations of dates of conception and reduction to practice.²⁰³ The party suppressed the evidence of that falsity and then sought to enforce the patents in a court of equity against the original patent owner.²⁰⁴ The Court held that the “facts all add up to the inescapable conclusion that [the party asserting the patent] has not displayed that standard of conduct requisite to the maintenance of this suit in equity” and dismissed the suit.²⁰⁵ The Court noted that when unclean hands is invoked against a litigant seeking equitable relief, the “maxim necessarily gives wide range to the equity court’s use of discretion in refusing to aid the unclean litigant” and “[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient”²⁰⁶

The line of cases discussed above stand for the principles that equitable relief, such as a request for injunction, can be barred where a party committed an unconscionable act immediately related to the equity sought²⁰⁷ and legal relief can be barred if fraud formed the basis of a legal judgment.²⁰⁸ If one were to apply a faithful agent interpretive method, then these cases—particularly the cases shortly prior to the 1952 Patent Act that resulted in unenforceability of a patent²⁰⁹—would help define the unenforceability defense to patent infringement under the 1952 Patent Act. Specifically, under this approach, the 1952 Patent Act’s reference to unenforceability would incorporate unenforceability doctrines from the time of enactment, along with the boundaries of these doctrines at the time.

2. LAW SINCE ENACTMENT

The Federal Circuit has further delineated the contours of the doctrine of unclean hands since the passage of the 1952 Patent Act, often in ways that are consistent with the reach of the doctrine under

²⁰³ See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 808–16 (1945).

²⁰⁴ See *id.*

²⁰⁵ *Id.* at 819.

²⁰⁶ *Id.* at 815.

²⁰⁷ See *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 246–47 (1933).

²⁰⁸ See *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 245 (1944).

²⁰⁹ See *id.* at 251.

the Supreme Court's pre-1952 caselaw.²¹⁰ For example, the Federal Circuit has stated that a successful unclean hands defense bars only the present suit and does not result in invalidity or unenforceability of the patent as to other parties (except, as in the inequitable conduct doctrine discussed below, where the conduct involves fraud in obtaining the patent).²¹¹ This is consistent with the history of the defense, which merely operated to turn a plaintiff seeking equity out of the court of equity except in the narrow circumstances where it could apply to bar a judgment entered at law.²¹² The Federal Circuit has also determined that when the conduct at issue relates only to a single patent in a multi-patent suit, only that patent is rendered unenforceable rather than all the patents in suit unless the misconduct is immediately related to each other patent.²¹³ This is consistent with the principle stated under *Keystone* that unclean hands only applies where the unconscionable act has "immediate and necessary relation to the equity that [the plaintiff] seeks"²¹⁴

Some litigants have urged courts to find unclean hands for conduct such as sending vexatious and unfounded patent infringement

²¹⁰ See *Therasense Inc. v. Becton, Dickson, & Co.*, 649 F.3d 1276, 1285–86 (Fed. Cir. 2011).

²¹¹ *Id.* at 1287 (distinguishing inequitable conduct from unclean hands and collecting cases where remedy for unclean hands was limited to dismissal); see *Aptix Corp. v. Quickturn Design Sys., Inc.*, 269 F.3d 1369, 1376 (Fed. Cir. 2001) ("While inequitable conduct before the PTO renders the patent unenforceable by any party, the unclean hands doctrine bars only the offending party" and "only provides a bar to relief in the case at hand.").

²¹² See *Therasense*, 649 F.3d at 1292.

²¹³ See *SSIH Equip. S.A. v. U.S. Int'l Trade Comm'n*, 718 F.2d 365, 378 (Fed. Cir. 1983) ("SSIH relies solely on the supposition that all of the patents are so interrelated that [patentee's] 'unclean hands' with respect to the later patents renders the [asserted] patent unenforceable. We reject this contention as a matter of law."); *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 524 (Fed. Cir. 1987) v. ("[FMC] can not use *Foster* to invoke an unclean hands defense to the entire judicial proceeding."); see also *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1248 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 797 (2019) (dismissing a second patent in suit based on the facts at issue, but agreeing that misconduct relating to one patent "does not defeat claims under another patent simply because they were 'brought . . . in the same lawsuit'").

²¹⁴ *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933).

demand letters²¹⁵ or filing excessive numbers of patents “intended to create a ‘legal thicket.’”²¹⁶ The doctrine of unclean hands as applied by the Supreme Court prior to codification extended only to conduct that was “unconscionable,” such as fraud, bribery, blackmail, manufacture of evidence, and suppression of evidence.²¹⁷ Whether this conduct would fall within those bounds is ultimately a question for the court, which must consider not only which interpretive method is appropriate but also whether the facts fit within the boundaries of the law under that method.²¹⁸

The Federal Circuit has extended the doctrine of unclean hands to bar legal relief in more than the narrow cases where this occurred pre-1952 (fraud in obtaining the judgment of relief or fraud in obtaining the patent).²¹⁹ In *Gilead Sciences, Inc. v. Merck & Co.*, the Federal Circuit found that unclean hands justified summary judgment barring legal and equitable relief where, prior to suit, an attorney breached an ethical firewall to obtain information useful to patent strategy (but not material to patentability) and during suit gave false testimony in support of validity.²²⁰ Although the Supreme Court denied certiorari on this petition,²²¹ this result raises the question of whether it is appropriate use the equitable defense of unclean hands to bar legal relief based on conduct that is sufficiently egregious even when the conduct might fall short of fraud in obtaining

²¹⁵ See *Intamin, Ltd. v. Magnetar Techs. Corp.*, 623 F. Supp. 2d 1055, 1073, 1078 (C.D. Cal. 2009) (finding unclean hands barred all relief where patentee was “threatening its competitors with the intellectual property rights it did not own,” but also forged assignment documents and failed to disclose the forgery in discovery).

²¹⁶ Cf. *Nomadix, Inc. v. Hosp. Core Servs., LLC*, No. CV 14–08256 (VBKx), 2015 WL 3948804, at *11 (C.D. Cal. June 29, 2015) (finding unclean hands not available based on allegations of a patent “‘thicket’”).

²¹⁷ *Keystone Driller Co.*, 290 U.S. at 243 (bribery and suppression of evidence); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 245 (1944) (manufacture and suppression of evidence and bribery); *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (blackmail and suppression of evidence).

²¹⁸ See *Keystone Driller Co.*, 290 U.S. at 245–46.

²¹⁹ See *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1248 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 797 (2019).

²²⁰ *Id.* at 1233, 1240, 1248.

²²¹ *Merck & Co. v. Gilead Scis., Inc.*, *cert denied*, 139 S. Ct. 797 (2019).

the judgment, i.e., if the conduct was not a but-for cause of the finding or judgment in the patentee's favor.²²²

The Federal Circuit in *Gilead* also found that conduct before the Patent Office could support a finding of unclean hands that bars legal relief based only on the fact that the conduct “enhanced the claimant’s legal position as to . . . the creation . . . of the legal rights at issue.”²²³ This is despite the fact that the court acknowledged the conduct before the PTO did not amount to inequitable conduct.²²⁴ Although severe prosecution misconduct might be sufficient under pre-1952 caselaw to bar equitable relief, nothing in the pre-1952 caselaw would have barred legal relief based on prosecution misconduct that does not rise to the level of inequitable conduct or fraud in obtaining the patent.²²⁵ In these ways, the Federal Circuit has adopted an approach to unclean hands that expands the doctrine beyond its pre-codification roots.²²⁶

As explored further below, two related doctrines are often said to have developed from unclean hands: inequitable conduct and patent misuse.²²⁷ The history of unclean hands provides a critical framework for the analysis of the proper scope of these doctrines.

E. *Inequitable Conduct*

The inequitable conduct doctrine renders a patent unenforceable and invalid if the asserted patent was obtained by materially defrauding the patent office.²²⁸ Specifically, under the Federal

²²² See *Gilead Scis.*, 888 F.3d. at 1239, 1247 (discussing balancing of equities, relying on wrongful conduct to apply unclean hands defense).

²²³ *Id.* at 1240.

²²⁴ *Id.*

²²⁵ *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933) (“But courts of equity do not make the quality of suitors the test They do not close their doors because of plaintiff’s misconduct, whatever its character, that has no relation to anything involved in the suit, but only for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication.”).

²²⁶ *Therasense, Inc. v. Becton Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011) (“As the inequitable conduct doctrine evolved from unclean hands cases, it came to embrace a broader scope of misconduct.”).

²²⁷ *Id.* (“Inequitable conduct also diverged from the doctrine of unclean hands.”); see *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 492-493 (1942) (noting the relationship between patent misuse to unclean hands).

²²⁸ *Therasense, Inc.*, 649 F.3d at 1287.

Circuit's current articulation of the standard for inequitable conduct, a patent is unenforceable and invalid for inequitable conduct if, in obtaining a patent, "the applicant [or patentee] misrepresented or omitted material information with the specific intent to deceive the [Patent and Trademark Office ('PTO')]" and if the court determines that a finding of inequitable conduct is justified after "weigh[ing] the equities."²²⁹ Information is material to patentability if "the PTO would not have allowed a claim had it been aware of the undisclosed [prior act]."²³⁰ In other words, for information to be material, it must be capable of rendering the patent invalid.²³¹

The Federal Circuit has said that inequitable conduct arose as a species of the unclean hands defense in patent law.²³² However, as will be explored in more detail below, the true history of the doctrine is more complex and has a number of independent statutory origins from the doctrine of unclean hands. This Part will also explore a change made by the America Invents Act to the statutory provision governing the validity of patent claims if other claims of the patent are found invalid.

1. STATUTORY HISTORY OF INEQUITABLE CONDUCT

A right to revocation of a patent for inequitable conduct-like behavior was originally codified in 1790: This patent statute, the first in the United States, created a right for defendants to file a motion in the district court for repeal of a patent within one year of issuance on the ground that the patent "was obtained surreptitiously by, or upon false suggestion."²³³ Only legal remedies were available for

²²⁹ *Id.*

²³⁰ *Id.* at 1291.

²³¹ *See id.*

²³² *Id.* at 1287 (asserting that origins of inequitable conduct defense to patent infringement is in unclean hands, including *Keystone Driller Co., Precision Instrument*, and *Hazel-Atlas* that are discussed above); see *Gen. Electro Musical Corp. v. Samick Music Corp.*, 19 F.3d 1405, 1408 (Fed. Cir. 1994) (quoting *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1394 (Fed. Cir. 1988)) ("The concept of inequitable conduct in patent procurement derives from the equitable doctrine of unclean hands: that a person who obtains a patent by intentionally misleading the PTO can not enforce the patent.").

²³³ Patent Act of 1790, ch. 7, § 5, 1 Stat. 109, 111; see Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L.

patent infringement at that time (the remedies were expanded in the early nineteenth century to include equitable remedies), and any such motion would have been filed in a court of law.²³⁴ Additionally, the 1790 statute provided that judgment should be entered for defendant, i.e., that there would be a defense to patent infringement “if the concealment of part, or the addition of more than is necessary” to what was claimed as the invention “shall appear to have been intended to mislead, or shall actually mislead the public, so as the effect described cannot be produced by the means specified”²³⁵

In 1836, amendments to the Patent Act narrowed the previously available private right of action to revoke patents for inequitable conduct-like behavior to what we would today call an interference proceeding, i.e., where a party challenges whether that party or the patentee was the first inventor.²³⁶ For most of the 1800s, however, an action in a court sitting in equity was available to the government to revoke a patent for fraud on the patent office.²³⁷ However, other than as interference, no action or defense was available to

& TECH. 37, 40 (1993); Lemley, *supra* note 46, at 1696; David McGowan, *Inequitable Conduct*, 43 LOY. L.A. L. REV. 945, 948 (2010). The period to file this motion was later increased to three years. Patent Act of 1793, ch. 11, § 10, 1 Stat. 318, 323.

²³⁴ See *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 423–24 (1908) (“[T]hough at first only a remedy at law was given for a violation of the right, a remedy in equity was given as early as 1819.”).

²³⁵ Patent Act of 1790, ch. 7, § 6, 1 Stat. 109, 111–112.

²³⁶ Patent Act of 1836, ch. 357, § 16, 5 Stat. 117, 123–24; see Lemley, *supra* note 46, at 1699.

²³⁷ See *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1333 n.9 (Fed. Cir. 2019) (“Prior to 1836, Congress had authorized suit for *scire facias* to invalidate a patent where the suit, though brought by a private party, was under the control of the United States. In the Patent Act of 1836, Congress re-pealed that provision, but the Supreme Court concluded that the statutory change did not remove the United States’ ability to sue in equity to invalidate a patent, at least where there had been fraud on the patent office.”); *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 372 (1888) (“[Such a suit by the United States] is so widely different, so much more beneficial, and is pursued under circumstances so much more likely to secure complete justice, than any defense which can be made by an individual infringer, that it is impossible to suppose that Congress, in granting this right to the individual, intended to supersede or take away the more enlarged remedy of the government.”); John F. Duffy, *The Inequities of Inequitable Conduct: A Case Study of Judicial Control of Administrative Process*, 51 HOUS. L. REV. 417, 418 (2013) (discussing the history of inequitable conduct).

individuals under the statute to use inequitable conduct to defend against patent infringement from 1836 to 1870.²³⁸

In an amendment to the patent statutes in 1870, Congress provided that certain deceitful behaviors would constitute a defense to patent infringement:

And be it further enacted, That in any action for infringement the defendant may plead the general issue, and having given notice in writing to the plaintiff or his attorney, thirty days before, may prove on trial any one or more of the following special matters:—

First. That *for the purpose of deceiving the public* the description and specification filed by the patentee in the patent office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had *surreptitiously or unjustly* obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same; . . .

And the like defenses may be pleaded in any suit in equity for relief against an alleged infringement; and proofs of the same may be given upon like notice in the answer of the defendant, and with the like effect.²³⁹

As noted above, the 1952 Act then removed the specific enumerations of defenses for deceitful conduct in obtaining a patent.²⁴⁰ The first defense from the 1870 statute was removed in favor of the more general defense of invalidity in the 1952 statute.²⁴¹ Drafter

²³⁸ Duffy, *supra* note 137, at 426–427.

²³⁹ Patent Act of 1870, ch. 230, § 61, 16 Stat. 198, 208 (codified as amended at 60 Rev. Stat. § 4920 (1874)) (emphasis added).

²⁴⁰ See Patent Act of 1952, ch. 950, § 282, 66 Stat. 792, 812 (codified as amended in 35 U.S.C. § 282).

²⁴¹ Federico, *supra* note 27, at 162–63, 216.

Federico noted shortly after enactment that inadequate description with deceitful intent became superfluous because inadequate description already resulted in invalidity; “failure to give a description of the invention as required by section 112 is a defense without regard to intention.”²⁴² The intent element of the second defense was removed and the considerations of whether a patentee was the first to invent was incorporated into the 1952 Act’s section 102(g).²⁴³ One way to interpret these changes is to conclude that inequitable conduct, to the extent it remained available to bar legal claims, was merged into the defense of “invalidity” in section 282.²⁴⁴

2. THE EFFECT OF ELIMINATION OF SECTION 288’S DECEPTIVE INTENT EXCEPTION ON INFECTIOUS INVALIDITY FOR INEQUITABLE CONDUCT

One might wonder why an accused infringer would still raise inequitable conduct, which depends upon information being sufficiently material to render a patent invalid, instead of only asserting invalidity in light of these statutory changes to the availability of defenses regardless of deceptive intent. One reason is that, although invalid patent claims generally do not render the other claims in a patent infectiously invalid, some modern courts have read inequitable conduct as barring the patentee from asserting any claim in that patent, i.e., as having infectious invalidity.²⁴⁵ Specifically, in caselaw prior to the passage of the America Invents Act, the Federal Circuit held that when one claim in a patent is tainted with inequitable conduct, the remaining claims of the patent are not enforceable.²⁴⁶

²⁴² *Id.*

²⁴³ Patent Act of 1952, ch. 950, § 102(g), 66 Stat. 792, 797; Federico, *supra* note 27, at 216.

²⁴⁴ Patent Act of 1952, ch. 950, § 282, 66 Stat. 792, 812 (codified as amended in 35 U.S.C. § 282).

²⁴⁵ *Therasense, Inc. v. Becton Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011).

²⁴⁶ *See id.* When the conduct at issue relates only to a single patent in a multi-patent suit, in contrast, only that patent is rendered invalid or unenforceable due to inequitable conduct unless the misconduct was material to the validity of related applications. *See id.*; *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1332 (Fed. Cir. 1998) (“The ‘554 patent is not unenforceable due to inequitable conduct

Section 288 of the 1952 Patent Act provided that if one patent claim was found invalid, the remaining claims of the patent would not be invalid, except those invalid with “deceptive intention”: “Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid.”²⁴⁷ Similarly, section 253 provided that “[w]henever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid.”²⁴⁸ Under the statutory interpretation canon of *expressio unius* the negative implication of these provisions would be that an action may not be maintained on a patent where any claim of the patent was found invalid with deceptive intention.²⁴⁹ Federico stated that these provisions were enacted to counter a rule previously applicable under common law where “if a patent was invalid in part it was invalid in whole, that is, if any one claim of a patent was invalid the entire patent fell.”²⁵⁰

merely because its claims were improperly included in an application with other patentable inventions that were ultimately held unenforceable for inequitable conduct.”).

²⁴⁷ Patent Act of 1952, ch. 950, § 288, 66 Stat. 792, 813 (1952) (current version is at 35 U.S.C. § 288 (2018)).

²⁴⁸ Patent Act of 1952, ch. 950, § 253, 66 Stat. 792, 809 (1952) (current version is at 35 U.S.C. § 253 (2018)).

²⁴⁹ See SCALIA & GARNER, *supra* note 84, at 107. Under the Negative-Implication Canon, *expressio unius est exclusio alterius*, the specification of one is the exclusion of another. *Id.*; see also *Hartford Underwriters Ins. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000) (finding that a statute specifying that trustees could obtain certain relief under a provision of a statute precluded others from obtaining relief under that provision); see also *United States v. Giordano*, 416 U.S. 505, 514 (1974) (finding that a statute establishing that certain procedures could be authorized by Attorney General or Assistant Attorney General excluded others from authorizing those procedures, by negative implication).

²⁵⁰ Federico, *supra* note 27, at 208. Under the prior rule, before a patentee could bring another suit, a patentee with an invalid claim would be required to file a disclaimer with the Patent Office such that the patent would claim only material that was not previously found invalid. See *id.* The 1952 Patent Act also provided procedures for disclaimer of the portions of the patent that were invalid, which likewise were not available if claims were found invalid with deceptive intent. Patent Act of 1952, ch. 950, § 253, 66 Stat. 792, 809 (1952) (current version is at 35 U.S.C. § 253) (“Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee,

Today, however, sections 288 and 253 of the Patent Act omit any mention of deceptive intent: “[w]henver a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid”²⁵¹ and “[w]henver a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid.”²⁵² The exception for deceptive intent was stricken from both of these provisions by the 2011 America Invents Act.²⁵³ The removal of the deceptive intent exception originated in the first bill of what later became the America Invents Act, the proposed Patent Reform Act of 2005.²⁵⁴ This change was later reintroduced as a “technical amendment” in the bill offered in January 2011, which became part of the America Invents Act.²⁵⁵ In floor debates, legislators noted that the elimination of the “deceptive intention” exception related to, *inter alia*, “enforcing remaining valid claims if a claim is invalidated”:

At subsections (a) through (h), section 16 of the bill has been modified by reinserting language that eliminates various deceptive-intent requirements that relate to correcting the naming of the inventor or a joint inventor, obtaining a retroactive foreign filing license, seeking section 251 reissue, or enforcing remaining valid claims if a claim is invalidated. See generally *Kearney & Trecker Corp. v. Giddings & Lewis, Inc.*, 452 F.2d 579, 596, 7th Cir. 1971. These changes were first proposed in section 5 of the original Patent Reform Act of 2005, H.R. 2795, 109th Congress, and have been advocated by universities and their technology-transfer offices. For reasons

whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent.”).

²⁵¹ 35 U.S.C. § 288 (2018).

²⁵² 35 U.S.C. § 253 (2018).

²⁵³ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 20(e), (h), 125 Stat. 284, 334 (2011).

²⁵⁴ Patent Reform Act of 2005, H.R. 2795, 109th Cong., § 5(c) (2005).

²⁵⁵ Patent Reform Act of 2011, S. 23, 112th Cong. § 16 (2011); *see also* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 447 (2011).

that are not entirely clear, subsequent bills maintained this section and its addition of substructure and titles to the affected code sections, but struck the substantive part of the section—i.e., its elimination of the deceptive-intent requirements.

Eliminating the various deceptive-intent requirements moves the U.S. patent system away from the 19th century model that focused on the patent owner's subjective intent, and towards a more objective-evidence-based system that will be much cheaper to litigate and more efficient to administer.²⁵⁶

The appellate court decision, *Kearney*, referenced in this commentary also provides some evidence that the meaning of the term “invalid” in section 288 includes circumstances where no patent suit at law could be maintained because of fraud in obtaining the patent, i.e., inequitable conduct.²⁵⁷ Applying the 1952 version of section 288, the court in *Kearney* held that “actual fraud or other inequitable conduct” falls within the deceptive intent exception of former section 288, rendering all the claims of the patent invalid.²⁵⁸ The court in *Kearney* reasoned, “a patent procured by fraud [is] not merely unenforceable but invalid,” citing to a Supreme Court patent-antitrust case, *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*²⁵⁹ Indeed, in *Walker Process*, the Supreme Court rejected the holding of the lower courts that “proof of fraudulent procurement may be used to bar recovery for infringement . . . but not to establish invalidity.”²⁶⁰ The Court held that “a person sued for infringement may challenge the *validity* of the patent on various grounds, including fraudulent procurement.”²⁶¹

²⁵⁶ 157 CONG. REC. S1378 (daily ed. March 8, 2011) (statement of Sen. Kyl).

²⁵⁷ *Kearney & Trecker Corp. v. Giddings & Lewis, Inc.*, 452 F.2d 579, 596 (7th Cir. 1971).

²⁵⁸ *Id.* (“Fairly read, § 288 prohibits the maintenance of any action on a patent which includes claims which are invalid by reason of deceptive intention.”).

²⁵⁹ *Id.* at 594 (citing *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 175–76 (1965)).

²⁶⁰ *Walker Process*, 382 U.S. at 175.

²⁶¹ *Id.* at 176 (emphasis added) (citing *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 250 (1944)).

Joe Matal, a senior legislative staffer involved in drafting the America Invents Act, stated in an article written shortly after enactment that “the repeal of the deceptive-intent bar in § 288, which allows enforcement of other claims if one is found to be invalid, should limit the infectious invalidity that otherwise results from a finding of inequitable conduct.”²⁶² During the legislative process leading up to the America Invents Act, Senator Orrin Hatch stated that inequitable conduct “has been overpleaded and has become a drag on the litigation process.”²⁶³ Moreover, as to other portions of the America Invents Act, legislators stated that “[t]he term [unenforceability] should be considered to be used interchangeably with ‘invalidity’”²⁶⁴ This history, including the statutory history of changes made to section 288 and case law including *Kearney*²⁶⁵ and *Walker Process*,²⁶⁶ could suggest that the term “invalid” in section 288 includes determinations of inequitable conduct such that, after the America Invents Act, inequitable conduct might no longer result in invalidity of other patent claims beyond the claims that were fraudulently procured.

Nevertheless, even if infectious invalidity is no longer available, accused infringers will likely continue to assert inequitable conduct for several reasons: A finding of inequitable conduct might support a determination that the case is sufficiently “exceptional” to justify an award of attorney’s fees to the defendant under section 285.²⁶⁷ A

²⁶² Matal, *supra* note 255, at 643.

²⁶³ 153 CONG. REC. S4691 (daily ed. Apr. 18, 2007) (statement of Sen. Hatch); Matal, *supra* note 255, at 546.

²⁶⁴ 157 CONG. REC. S1378 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (quoting *J.P. Stevens & Co. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1560 (Fed. Cir. 1984)) (“Whether the holding should be one of invalidity or unenforceability has had no practical significance in cases thus far presented to this court”); *see also* H.R. REP. NO. 112-98, at 50 (2011) (“Patents are unenforceable and invalid if they are obtained through fraud.”).

²⁶⁵ *Kearney & Trecker Corp. v. Giddings & Lewis, Inc.*, 452 F.2d 579, 596 (7th Cir. 1971).

²⁶⁶ *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 175–76 (1965).

²⁶⁷ 35 U.S.C. § 285 (2018) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”); *see* *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 555 (2014) (holding that conduct need not be “independently sanctionable” such as “inequitable conduct in procuring the

finding of inequitable conduct might also form the basis of antitrust allegations, which come with potential for treble damages.²⁶⁸ Discovery into inequitable conduct can also serve strategic purposes for accused infringers by adding to the patentee's discovery burdens, provided that there is a legitimate basis for the accusation.²⁶⁹

In light of the statutory history of inequitable conduct, particularly the current version of the patent statute's lack of any incorporation of the doctrine beyond the general requirements for validity, inequitable conduct cannot be said to be an independent defense as opposed to a type of invalidity. Its contours might be relevant, as noted, to determine whether attorney's fees²⁷⁰ are warranted or antitrust liability applies.²⁷¹ However, these are beyond the scope of equitable defenses or the availability of equitable relief in patent cases. In this sense, inequitable conduct is merely "invalidity plus."

Nevertheless, the primary contours of the doctrine as it stands in the Federal Circuit—with a requirement that the conduct be intended to deceive the Patent Office and, if it were discovered during prosecution, sufficient to render the patent invalid before both legal and equitable claims are barred²⁷²—fits well within the second category of unclean hands for fraud in obtaining the instrument that forms the basis of suit. Therefore, inequitable conduct that would render a patent invalid would justify a bar of both legal and equitable forms of relief under either interpretive approach.

patent" to justify a fee award, which suggests that inequitable conduct might support such an award).

²⁶⁸ See *Walker Process Equip., Inc.*, 382 U.S. at 174; see Duffy, *supra* note 237, at 440 (noting that inequitable conduct was not widely asserted in patent cases until after *Walker Process* signaled that it could support antitrust liability).

²⁶⁹ See FED. R. CIV. P. 11 (providing sanctions for allegations made "for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation"). Note that a patentee's conduct might be sanctionable, even if it does not support an equitable defense.

²⁷⁰ *Octane Fitness, LLC*, 572 U.S. at 555.

²⁷¹ *Walker Process*, 382 U.S. at 174.

²⁷² See *Therasense, Inc. v. Becton, Dickinson, & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011).

F. *Patent Misuse*

Patent misuse is an unenforceability defense that is related to the doctrine of unclean hands.²⁷³ A variety of conduct has been found to be misuse of a patent if the court determines that the patentee has improperly exploited the patent right beyond the scope of the patented invention or beyond the duration of the patent.²⁷⁴ Although anticompetitive conduct may constitute patent misuse, the current reach of the misuse doctrine is not coextensive with antitrust laws.²⁷⁵ Misuse focuses on the impact on the public interest of the patentee's actions to exceed the patent scope: "It . . . forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant."²⁷⁶ Once the misuse has been "purged," or the conduct of the patentee no longer impermissibly exceeds the scope of the patent right in a way that violates public policy, the patentee may again

²⁷³ C.R. Bard, Inc. v. M3 Sys., Inc., 157 F.3d 1340, 1372 (Fed. Cir. 1998) ("The defense of patent misuse arises from the equitable doctrine of unclean hands Patent misuse arises in equity, and a holding of misuse renders the patent unenforceable until the misuse is purged; it does not, of itself, invalidate the patent.").

²⁷⁴ *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1326 (Fed. Cir. 2010). A patentee's right to exclude includes the right to exclude others from "mak[ing], us[ing], offer[ing] to sell, or sell[ing] any patented invention, within the United States or import[ing] into the United States any patented invention during the term of the patent . . ." 35 U.S.C. § 271(a). A patentee's conduct might be found to exceed the scope of the patent right either by going beyond the disclosed invention (such as by tying) or beyond the granted patent's term. *See id.*; *see Princo Corp.*, 616 F.3d at 1326.

²⁷⁵ *See* Christa J. Laser, *Continuing the Conversation of "The Economic Irrationality of the Patent Misuse Doctrine"*, 11 CHI.-KENT J. INTELL. PROP. 104, 207, 112 (2012) (criticizing patent misuse as an overdeterrent when it applies beyond the scope of antitrust liability); *see* Dan Burk, *Anticircumvention Misuse*, 50 UCLA L. REV. 1095, 1121–22 (2003) (analyzing legislative and doctrinal history and concluding that "[s]omething less than the conduct necessary for an antitrust tying violation might be sufficient for a finding of misuse . . .").

²⁷⁶ *Morton Salt Co. v. G. S. Suppiger*, 314 U.S. 488, 492 (1942); *accord* *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 519 (1917) ("[I]f sustained, it would be gravely injurious to that public interest, which we have seen is more a favorite of the law than is the promotion of private fortunes.").

seek relief.²⁷⁷ Patent misuse only acts as a defense to infringement where the misuse is of the asserted patent.²⁷⁸

1. STATUTORY SCOPE UNDER SECTIONS 282 AND 271(D)

Although misuse is a derivative of unclean hands,²⁷⁹ unlike unclean hands, the doctrine of misuse was not unqualifiedly imputed into the text of the statute.²⁸⁰ In addition to codifying this doctrine in the defense of unenforceability, the 1952 Patent Act enumerated several circumstances that would not constitute misuse, providing:

No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his

²⁷⁷ U.S. Gypsum Co. v. Nat'l Gypsum Co., 352 U.S. 457, 465 (1957) (“[C]ourts will not aid a patent owner who has misused his patents to recover any of their emoluments accruing during the period of misuse or thereafter until the effects of such misuse have been dissipated, or ‘purged’ as the conventional saying goes.”); *Morton Salt Co.*, 314 U.S. at 493 (“Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated.”).

²⁷⁸ *Sanofi-Aventis v. Apotex Inc.*, 659 F.3d 1171, 1182 (Fed. Cir. 2011) (finding no misuse based on misrepresentations to the FTC noting that “the defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effects. As reprehensible as BMS’s actions may be, they do not constitute patent misuse: ‘Where the patentee has not leveraged its patent beyond the scope of rights grant by the Patent Act, misuse has not been found.’” (internal quotations and citations omitted)).

²⁷⁹ *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998).

²⁸⁰ See Patent Act of 1952, ch. 950, § 271, § 282, 66 Stat. 792, 811 (1952) (current version at 35 U.S.C. § 271, § 282).

patent rights against infringement or contributory infringement.²⁸¹

In Section 271(c), Congress defined contributory infringement as follows:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.²⁸²

In the 1988 Patent Misuse Reform Act, Congress added the following additional exceptions to misuse, arriving at the current version of section 271(d):

(4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.²⁸³

²⁸¹ Patent Act of 1952, ch. 950, § 271(d), 66 Stat. 792, 811 (1952) (current version at 35 U.S.C. § 271).

²⁸² 35 U.S.C. § 271(c).

²⁸³ 35 U.S.C. § 271(d). The statutory basis for misuse can also be said to arise from section 271 under the statutory interpretive canon *expressio unius*, where the expression of one is the exclusion of another. SCALIA & GARNER, *supra* note 84, at 107; see *Hartford Underwriters Ins. v. Union Planters Bank*, 530 U.S. 1, 6 (2000).

The legislative history indicates that the 1988 amendment was made to add exceptions to misuse beyond what existed in common law at the time.²⁸⁴

2. DECISIONAL LAW AT THE TIME OF ENACTMENT

A series of Supreme Court cases in the early twentieth century defines the scope of patent misuse as it existed prior to 1952, although the statute abrogated findings of misuse under certain fact patterns seen in these cases.²⁸⁵

Continental Paper Bag Co. v. Eastern Paper Bag Co. stands for the principle that mere nonuse or exercise of the right to exclude others from uses within the scope of the patent is not misuse.²⁸⁶ In *Continental Paper Bag*, a defendant in a patent infringement suit that was brought in equity (seeking an injunction and equitable accounting) argued that equity should be denied because the patentee never made use of the patent other than to bring suit.²⁸⁷ Defendant argued that because under the Constitution, the purpose of intellectual property is “[t]o promote the progress of science and the useful arts,”²⁸⁸ a patent that is not used to make anything does not promote such progress, does not meet the public policy goals of patents, and should therefore not be enforced in a court of equity.²⁸⁹

²⁸⁴ See S. REP. NO. 100-492, at 14 (1988) (“The lack of clarity and predictability in application of the patent misuse doctrine and that doctrine’s potential for impeding procompetitive arrangements are major causes for concern.”); 134 CONG. REC. 32,471 (1988) (statement of Sen. Patrick Leahy) (“Reform of patent misuse will ensure that the harsh misuse sanction of unenforceability is imposed only against those engaging in truly anticompetitive conduct.”); *id.* at 32,295 (statement of Rep. Robert Kastenmeier) (“[T]he proposed modifications should have a pro-competitive effect, insofar as they require some linkage between the patent licensing practice and anti-competitive conduct.”); *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 204–207 (1980) (detailing legislative history of section 271).

²⁸⁵ See *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908).

²⁸⁶ *Id.*

²⁸⁷ *Id.* at 406.

²⁸⁸ *Id.* at 422–24; U.S. CONST., art I, § 8, cl. 8 (“The Congress shall have power . . . To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries . . .”).

²⁸⁹ *Cont’l Paper Bag*, 210 U.S. at 422–24.

The Supreme Court in *Continental Paper Bag* disagreed that nonuse is contrary to the policy goal of patents, which the Court said is primarily “to promote disclosure” by requiring a description of the invention in exchange for a temporary right to exclude and stated that the statutory right “can only retain its attribute of exclusiveness by a prevention of its violation.”²⁹⁰ The Court also supported its holding with a statutory history analysis, noting that in 1836 Congress repealed a law that required foreign persons to make use of the patent within a year or forfeit the right and that other countries had requirements of use, but Congress chose instead to only require disclosure in exchange for the right to exclude.²⁹¹ The Court noted, however, that it did not decide whether a situation might arise where “in view of the public interest, a court of equity might be justified in withholding relief by injunction”²⁹²

In a series of cases after *Continental Paper Bag*, the Court further delineated the proper scope of the patent grant by finding that certain uses outside the scope of the patent grant were not infringing uses, such as use of unpatented supplies despite that a patented machine was sold with a notice requiring purchase of supplies from the patentee.²⁹³ However, these cases arguably did not apply misuse as an affirmative defense to infringement; instead, they held that a license agreement’s restrictions beyond the patent’s scope were

²⁹⁰ *Id.* at 430. The Court also held that a patent does not make the patentee “a quasi-trustee for the public” by obligating the patentee to particular uses, but rather the public policy purpose of patents is “to induce a disclosure of” the invention in exchange for the right to exclude others from using what was disclosed until expiration of the patent term. *Id.* at 424.

²⁹¹ *Id.* at 424, 429.

²⁹² *Id.* at 430.

²⁹³ See *Straus v. Victor Talking Mach. Co.*, 243 U.S. 490, 501 (1917) (finding post-sale restriction upon purchasers of patented machine was invalid and therefore no suit could be brought in equity for violation of the terms of the restriction); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 518 (1917) (finding license restriction void and therefore no infringement for uses that violated the restriction); *Carbice Corp. v. Am. Patents Corp.*, 283 U.S. 27, 33–34 (1931) (finding no contributory infringement where defendant sold an unpatented staple article, dry ice, with knowledge that it would be used in patented equipment); *Leitch Mfg. Co. v. Barber Co.*, 302 U.S. 458, 463 (1938) (finding no contributory infringement based on sale of unpatented staple article for use in patented process, but noting that “every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited . . .”).

invalid or that the conduct did not amount to contributory patent infringement rather than holding a patent infringed yet still unenforceable.²⁹⁴ These, therefore, cannot accurately be said to define the scope of the misuse doctrine as incorporated into the statutory text.

In *Morton Salt Co. v. G. S. Suppiger Co.*, the Supreme Court more clearly applied patent misuse as a defense to patent infringement.²⁹⁵ *Morton Salt* was a suit for direct patent infringement brought in equity.²⁹⁶ The patentee of a machine for depositing salt tablets into cans leased its machines to customers on the condition that its lessees purchase unpatented salt tablets from the patentee.²⁹⁷ After a competitor began to sell an allegedly infringing machine, the patentee brought suit against the competitor for direct infringement.²⁹⁸ The Supreme Court found that patentee's conduct in tying the lease of a patented machine to the sale of salt tablets was "contrary to public policy."²⁹⁹ The Court noted that courts, especially in equity, may deny relief "where the plaintiff is using the right asserted contrary to the public interest."³⁰⁰ Therefore, the Court determined³⁰¹ that even if the defendant's use was infringing, the Court would not permit the patentee to obtain equitable relief for the infringement until "the improper practice has been abandoned."³⁰²

²⁹⁴ See *Straus*, 243 U.S. at 501; *Motion Picture*, 243 U.S. at 518; *Carbice Corp.*, 283 U.S. at 33–34; *Leitch Mfg. Co.*, 302 U.S. at 463.

²⁹⁵ See *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 494 (1942).

²⁹⁶ See *id.* at 489–90 (seeking the equitable remedies of an injunction and accounting).

²⁹⁷ *Id.* at 490–91.

²⁹⁸ *Id.*

²⁹⁹ *Id.* at 494.

³⁰⁰ *Id.* at 492 (citation omitted) (noting that a court of equity may in its discretion withhold equitable relief in furtherance of the public interest, and providing that "[i]n considering the propriety of the equitable relief granted here, we cannot ignore the judgment of Congress . . ."). To the extent that this statement was meant to extend the doctrine of misuse beyond equity, it was dicta. See *id.* at 492–93.

³⁰¹ See also *id.* at 490 ("The question we must decide is . . . whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article.").

³⁰² *Id.* at 493 ("Equity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated.").

Next, in *B.B. Chemical Co. v. Ellis*, *Mercoïd Corp. v. Mid-Continent Investment Co.* (“*Mercoïd I*”), and *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.* (“*Mercoïd II*”), the Court further extended its punishment of tying arrangements as misuse, eventually spurring congressional intervention with the 1952 Patent Act.³⁰³ In *B.B. Chemical*, the Court found that a patentee that derived revenue for its patent by selling unpatented coated fabric especially made for use in its patented shoe-reinforcing method could not enforce its patent in equity due to misuse.³⁰⁴ This extension reached a fever pitch in 1944 with *Mercoïd I* and *II*, which held that a patentee engaged in misuse and therefore had no remedy in equity because it calculated royalties owed for a patent on a furnace heating system based on sales of a specialized switch essential to the system’s operation.³⁰⁵ The *B.B. Chemical* and the *Mercoïd I* and *II* fact patterns no longer constitute misuse after the 1952 Patent Act and under section 271(d), which provides that it is not misuse to derive revenue from what would be contributory infringement if performed by another.³⁰⁶ Contributory infringement would include the sale of a component of a patented invention or material for use in a patented process (like coated fabric³⁰⁷ for a shoe-reinforcing process³⁰⁸ or a

³⁰³ See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 213, 229, 236 (1980) (noting that one purpose for legislation of 1952 Patent Act was to overrule the *Mercoïd I* and *II* misuse rationale, which was previously supported in *B.B. Chemical*).

³⁰⁴ *B.B. Chem. Co. v. Ellis*, 314 U.S. 495, 496–98 (1942) (holding that even if accused infringer actively induced infringement, suit was properly dismissed because patentee’s “use of the patent as the means of establishing a limited monopoly in its unpatented materials” was “contrary to public policy”).

³⁰⁵ See *Mercoïd Corp. v. Mid-Continent Inv. Co. (Mercoïd I)*, 320 U.S. 661, 666–68 (1944) (“That result obtains here though we assume for the purposes of this case that *Mercoïd* was a contributory infringer and that respondents could have enjoined the infringement had they not misused the patent for the purpose of monopolizing unpatented material.”); *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co. (Mercoïd II)*, 320 U.S. 680, 684 (1944) (first citing *Morton*, 314 U.S. at 494; and then citing *B.B. Chem.*, 314 U.S. at 495) (“It likewise follows that respondent may not obtain from a court of equity any decree which directly or indirectly helps it to subvert the public policy which underlies the grant of its patent.”).

³⁰⁶ See 35 U.S.C. § 271(d).

³⁰⁷ *B.B. Chem.*, 314 U.S. at 496–98.

³⁰⁸ *Id.*

specialized switch for a furnace³⁰⁹), with knowledge that the component or material is especially made or adapted for use in the patented invention, provided that it is not a staple article with a substantial non-infringing use.³¹⁰ Indeed, the exceptions in section 271(d) were developed primarily to abrogate *Mercoïd I* and *II*.³¹¹

3. DOES MISUSE EXTEND INTO ACTIONS AT LAW?

Prior to codification in 1952, the doctrine of patent misuse was only used to bar equitable relief. Although one case, *Carbice Corp. v. American Patents Development Corp.* in 1931, denied a claim in equity that included a request for damages while using some of the language of misuse, this case only reversed a finding of contributory infringement rather than applying patent misuse to bar enforceability of a patent found to be infringed.³¹² Specifically, the court of appeals found that the sale of dry ice with the intent that it be used to infringe a patent on refrigerated packaging constituted contributory infringement, reversing the finding of the trial court.³¹³ The trial court opinion notes that the defenses raised were invalidity and

³⁰⁹ *Mercoïd I*, 320 U.S. at 666–68.

³¹⁰ *See id.*

³¹¹ *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 209–14 (1980) (discussing legislative history of section 271(d) and noting “the legislative history reveals that § 271(d) was designed to retreat from *Mercoïd* . . .”).

³¹² *Carbice Corp. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 28, 31, 33–35 (1931) (quoting *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 515 (1917)) (“The limited monopoly to make, use, and vend an article may not be ‘expanded by limitations as to materials and supplies necessary to the operation of it.’”). Although *Carbice* was mentioned in hearings on misuse reform prior to the passage of the 1952 Patent Act, these hearings sought to balance the doctrines of contributory infringement and misuse, so the hearings considered both cases, and the distinction between a finding of no contributory infringement and a finding of misuse was not material in that context, as it is here to the law and equity distinction. *A Bill to Prove for the Protection of Patent Rights Where Enforcement Against Direct Infringement is Impracticable, to Define “Contributory Infringement,” and for Other Purposes: Hearing on H.R. 3866 Before the S. Comm. No. 4 on the Judiciary*, 81st Cong. 67 (1949) (statement of Giles Rich) (“The exception which we wish to make to the misuse doctrine would reverse the result in the *Mercoïd* case; it would not reverse the result in the *Carbice* case.”).

³¹³ *Am. Patents Dev. Corp. v. Carbice Corp.*, 38 F.2d 62, 65, 67 (2d Cir. 1930) (rejecting argument made in reliance on *Motion Picture* “that [defendant] did not infringe”), *rev’d*, 283 U.S. 27 (1931).

noninfringement, with no mention of misuse.³¹⁴ Given that misuse was not raised below and that the decision that was reversed was for a finding of contributory infringement, not a finding of no misuse,³¹⁵ *Carbice* cannot be said to be a case defining the misuse defense. In every other case discussed above, the Supreme Court only denied equitable relief.³¹⁶

In *Morton Salt*, the Court linked the misuse doctrine to one that requires those seeking relief in equity to have “clean hands” and repeatedly referenced principles of equity and the unique considerations when granting equitable relief as the basis for its holding.³¹⁷ *Mercoïd I*, likewise, based its holding on the unique considerations of equitable relief.³¹⁸ Yet, misuse does not involve fraud in the formation of an instrument or fraud in obtaining a judgment at law, so

³¹⁴ *Am. Patents Dev. Corp. v. Carbice Corp.*, 25 F.2d 730, 731 (E.D.N.Y. 1928) (“Defendant offers the defenses of invalidity and noninfringement.”), *rev’d*, 38 F.2d 62 (2d Cir. 1930), *rev’d*, 283 U.S. 27 (1931).

³¹⁵ *Carbice Corp.*, 283 U.S. at 30, 33.

³¹⁶ *See B.B. Chem. Co. v. Ellis*, 314 U.S. 495, 498 (1942). In *B.B. Chemical*, a case discussed above, the Court rejected the patentee’s final plea to avoid dismissal, which was to offer the infringer a royalty-based license, but this was offered to undermine the finding of misuse rather than as an alternative award of relief from the court, and the case was solely brought in equity seeking equitable relief. *See id.*

³¹⁷ *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 492–94 (1942) (linking patent misuse to the equitable doctrine of “clean hands” and noting “[e]quity may rightly withhold its assistance from such a use of the patent”); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 186 (1980) (“petitioners . . . raise as their only defense to liability the contention that respondent, by engaging in patent misuse, comes into court with unclean hands”); *id.* at 193 (noting that *Morton Salt* “explicitly linked the doctrine of patent misuse to the ‘unclean hands’ doctrine traditionally applied by courts of equity”); *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998) (finding no misuse but noting in *dicta* that “[t]he defense of patent misuse arises from the equitable doctrine of unclean hands Patent misuse arises in equity, and a holding of misuse renders the patent unenforceable until the misuse is purged; it does not, of itself, invalidate the patent.”).

³¹⁸ *Mercoïd Corp. v. Mid-Continent Inv. Co. (Mercoïd I)*, 320 U.S. 661, 669 (1944) (citing *Morton Salt*, 314 U.S. 488, 492 (1942)) (“It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest.”). *Id.* at 665 (“The Court has repeatedly held that to allow such suits would be to extend the aid of a court of equity in expanding the patent beyond the legitimate scope of its monopoly.”).

it would not fall within the narrow category of unclean hands defenses that acted to bar legal relief such as damages prior to codification.³¹⁹

After 1952, no Supreme Court case has upheld a finding of misuse.³²⁰ In light of the pre-1952 caselaw, a court applying a traditional approach would likely not use patent misuse to bar a claim for damages at law, even if only temporarily while the conduct persists. The traditional approach would likewise caution that misuse should not be read as an “all-purpose claim against patent enforcement,” but should instead be limited to the scope of the doctrine as it was applied prior to 1952, with modifications to comply with the additional statutory exceptions in section 271(d).³²¹ A dynamic approach, in contrast, would allow courts to extend misuse beyond its pre-codification roots to bar all remedies, including damages at law where the court deems it appropriate.

III. ANALYSIS

A. *Dynamic vs. Traditional Approaches: Constitutional Authority*

Some scholars urge courts to institute a complete merger of law and equity whereby all equitable defenses are available to bar all legal claims, arguing that barriers should not be maintained merely because we are blindly following a “historical accident.”³²² Those

³¹⁹ *Supra* Part II.B.

³²⁰ *See* Ill. Tool Works Inc. v. Indep. Ink, Inc., 547 U.S. 28, 42–43, 46 (2006) (vacating and remanding for a determination of whether the patentee’s conduct was anticompetitive); *Dawson Chem. Co.*, 448 U.S. at 223 (finding no misuse).

³²¹ Burk, *supra* note 275, at 1117 n.126 (noting that, in recent years, misuse has often been invoked “as a low-cost substitute for antitrust analysis” and came to be viewed “as a bargain-basement, all-purpose claim against patent enforcement”).

³²² T. Leigh Anenson, *Treating Equity Like Law: A Post-Merger Justification of Unclean Hands*, 45 AM. BUS. L.J. 455, 478, 509 (2008); *see* Douglas Laycock, *The Triumph of Equity*, 56 LAW & CONTEMP. PROBS. 53, 53–54 (1993) (“The war between law and equity is over. Equity won. . . . Except where references to equity have been codified, as in the constitutional guarantees of jury trial, we should consider it wholly irrelevant whether a remedy, procedure, or doctrine originated at law or in equity.”); ZECHARIAH CHAFEE, JR., *Foreword* to SELECTED ESSAYS

using a traditional approach might hold that these arguments lack sway in the context of statutory equitable defenses like in patent law, where it was Congress, not “historical accident,” that determined how those doctrines should apply.³²³ Moreover, Congress made a choice to codify and stabilize the doctrines as they existed at a particular point in time.³²⁴

Under the traditional approach to equitable defenses, courts applying equity in patent law would look to history at the time of enactment of the Patent Act of 1952 to determine the availability of equitable defenses to legal claims.³²⁵ Courts should begin by determining whether the equitable doctrine at issue is imputed into the text of a statutory provision by reference, such as the unenforceability defense available under section 282 of the Patent Act. If so, courts should examine the scope of decisional law to determine whether expansion of the doctrine would go beyond what was understood under the language of the statute at the time of enactment. If an application of an equitable doctrine does not either arise under the statute as it was understood at the time of enactment or arise from established decisional law at the time of enactment, courts should be mindful to avoid extending the doctrine in a way that would exceed its statutory and historical roots.

Under a traditional approach, courts should respect Congress’s choice to use a common term with a defined meaning, in part because they lack the constitutional authority to further expand

ON EQUITY iii–iv (Edward D. Re ed., 1955) (It would be “absurd for us to go on until the year 2000 obliging judges and lawyers to climb over a barrier which was put up by historical accident in 14th century England . . .”).

³²³ Laycock, *supra* note 322, at 53–54 (noting exceptions to the argument in favor of substantive merger “where references to equity have been codified, as in the constitutional guarantees of jury trial . . .”).

³²⁴ See Federico, *supra* note 27, at 166 (noting the goal of the 1952 Patent Act to codify, stabilize, and modify decisional law doctrines); *Dawson Chem. Co.*, 448 U.S. at 180 (“[I]n its 1952 codification of the patent laws Congress endeavored, at least in part, to substitute statutory precepts for the general judicial rules that had governed prior to that time.”).

³²⁵ See *Dawson Chem. Co.*, 448 U.S. at 180 (“[I]n its 1952 codification of the patent laws Congress endeavored, at least in part, to substitute statutory precepts for the general judicial rules that had governed prior to that time.”).

statutory law.³²⁶ According to a traditional argument, the Constitution vested the power to make law “in a Congress,” not the courts.³²⁷ This is particularly true in patent law, where the Constitution provides that “Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and Discoveries”³²⁸ The power to determine the policy goals of patents lies with Congress.³²⁹ By cabining equitable doctrines to the scope as they existed when the patent statutes incorporated them, courts abide by the policy balance struck by Congress and avoid readings that run contrary to the statutory rights of patentees to “have remedy by civil action for infringement of [their] patent[s].”³³⁰ Moreover, incorporating the version of the law as it was understood at the time of enactment, rather than allowing courts to develop law beyond the scope of what was enacted, complies with constitutional principles of separation of powers and nondelegation.³³¹ The Constitution provides that “[a]ll legislative Powers herein granted shall be vested in a Congress of the United States”³³² and the Supreme Court has “long . . . insisted that ‘the integrity and maintenance of the system of government ordained by the Constitution’ mandate that Congress generally cannot delegate its legislative

³²⁶ See U.S. CONST. art. I, § 1 (“All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and a House of Representatives.”).

³²⁷ *Id.*

³²⁸ U.S. CONST., art I, § 8, cl. 8 (“The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).

³²⁹ *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018) (“Policy arguments are properly addressed to Congress, not this Court.”); see also *Rodriguez v. United States*, 480 U.S. 523, 526 (1987) (“Deciding what competing values will or will not be sacrificed to the achievement of a particular objective is the very essence of legislative choice—and it frustrates rather than effectuates legislative intent simplistically to assume that *whatever* furthers the statute’s primary objective must be the law.”).

³³⁰ 35 U.S.C. § 281.

³³¹ See U.S. CONST. art. I, § 1; see *Mistretta v. United States*, 488 U.S. 361, 371–72 (1989) (quoting *Field v. Clark*, 143 U.S. 649, 692 (1892)).

³³² U.S. CONST. art. I, § 1.

power to another Branch.”³³³ In the event of changed circumstances justifying a change in the law, those who accept the more historical approach would argue that it is the role of Congress, not that of the courts, to amend the law.³³⁴

In contrast, those adopting a more dynamic approach, one that permits development of the law after codification, would argue that the broad term “unenforceability” leaves significant gaps for courts to fill in the contours of the doctrine and adapt it over time. By using broad language, Congress could have anticipated that courts would further hone the body of common law as courts had done in the years prior. Moreover, the flexible approach allows equitable defenses to retain their equitable nature, which might have been intended by Congress when it referred to the doctrine of unenforceability. Under a dynamic approach, one might also raise concern that an approach to statutory interpretation that depends upon the meaning at enactment is unrealistic because Congress cannot possibly foresee all future circumstances where policy might justify an expansion of current law.

B. *Policy Considerations*

Many scholars argue that patent law “is a common law enabling statute”³³⁵ that gives power to courts to set various “policy levers” of patent law.³³⁶ The policy justifications given in the scholarship for a dynamic approach include the following: Courts are better suited than Congress to determine the policy needs of patents because they have closer knowledge of the impact of those decisions on litigants.³³⁷ The sometimes irreconcilable differences between competing interests in patent law, such as between technology and pharmaceutical industry groups, can make attempts at reform in a

³³³ *Mistretta*, 488 U.S. at 371–72 (quoting *Field*, 143 U.S. at 692 (1892)).

³³⁴ *See id.*

³³⁵ Nard, *supra* note 8, at 53; *see* Dreyfuss, *supra* note 17, at 801.

³³⁶ Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1668 (2003).

³³⁷ Nard, *supra* note 8, at 55–56 (“[T]he patent system is best served when the reform-minded engage patent law’s traditional policy driver – the judiciary The judge, in the Hayekian sense, is closer to the ‘inside baseball’ dynamic that is unique to each of the divergent industries that participate in the patent system [T]he common law is more likely to develop doctrine that reflects an industry’s legitimate expectations.”).

body that requires consensus, such as Congress, nearly impossible.³³⁸ The level of nuance and adaptability required for patent policy to be optimally balanced can be achieved within a more reasonable timeframe and at a lower cost by courts than by specific rules set out by Congress.³³⁹ Moreover, Congress lacks the staff hours to fully assess the policy impact of legislation on complex issues like patent law, particularly in any kind of agile manner capable of responding to the latest technological changes and legal and societal norms.³⁴⁰

In contrast, those supporting a traditional approach³⁴¹ would raise competing arguments for Congress's institutional advantage on matters of policy. First, courts can make uninformed policy decisions because they lack the resources that are uniquely available to lawmakers for determining policy.³⁴² Although Congress may hear commentary from diverse stakeholders as to how the laws will affect them, call hearings to ask stakeholders questions, negotiate consensus between industries, and commission social science or economics studies and await their results before acting,³⁴³ a judge often has far less information available and must act timely on the case before her regardless of whether she has a full picture of the policy implications. Although gridlock can slow the pace of legislation and result in law that is unable to adapt to changing circumstances, the benefit of consolidation of many competing interests is lost when a court chooses the law to suit the equities of only the parties in a dispute. A judge might, in the worst case, substitute her own reasoning for careful policy decisions on issues covered by statute.

³³⁸ See Dreyfuss, *supra* note 17, at 801 (“[R]ecent attempts at reform show that rent seeking by particular technological interests thwarts the adoption of sound rules.”).

³³⁹ Burk & Lemley, *supra* note 336, at 1668.

³⁴⁰ See Anna Hensel, *Congress Lacks Tech Knowledge to Properly Question Google CEO Sundar Pichai*, VENTUREBEAT (Dec. 11, 2018), <https://venturebeat.com/2018/12/11/congress-lacks-tech-knowledge-to-properly-question-google-ceo-sundar-pichai/>.

³⁴¹ See Manning, *supra* note 7, at 5.

³⁴² See Burk & Lemley, *supra* note 336, at 1669.

³⁴³ See *The Legislative Branch*, WHITE HOUSE, <https://www.whitehouse.gov/about-the-white-house/the-legislative-branch/> (last visited Oct. 9, 2020).

Particularly in patent law, where appellate jurisdiction is placed exclusively before a single federal circuit, the opportunities to gather information on policy making and consider the impact of alternative decisions is limited.³⁴⁴ Without other circuit courts to develop and test alternative approaches to the law, the federal circuit lacks sufficient information to gauge the potential impact of different legal choices.³⁴⁵ Moreover, where the law develops in a lone federal circuit, rules set forth in prior cases often calcify to the point that the federal circuit is unlikely to change them without Supreme Court intervention—an environment that is not well-suited to agile policy-making.³⁴⁶ In contrast, leaving policy decisions to Congress ensures that voters have accountable representation of their policy interests and limits politicization of the judiciary.³⁴⁷

Second, modern courts are typically (and appropriately) unwilling to make affirmative policy decisions.³⁴⁸ Courts' unwillingness to engage in affirmative policy making may result in unintentional policy if, for example, the needs of a case require gap-filling on the scope of a law that ultimately implicates policy concerns. Moreover, unintentional policy is often incorrect policy because it lacks the considerations of how rules impact the rights of those outside the case at hand.³⁴⁹ Modern courts base decisions chiefly on precedent and interpretation of law, appropriately limiting their decisions to the case at hand as much as possible, rather than basing decisions on a thorough consideration of the policy interests of stakeholders

³⁴⁴ See Craig Allen Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle*, 101 NW. U. L. REV. 1619, 1632 (2007) (arguing that single Federal Circuit limits generation of ideas for legal decision-making around patent law).

³⁴⁵ See *id.*

³⁴⁶ See *id.* at 1644.

³⁴⁷ See SCALIA & GARNER, *supra* note 84, at xxiii, xxvii.

³⁴⁸ See *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 (2017) (“[W]e cannot overrule Congress’s judgment based on our own policy views.”). In the last few decades, courts have returned to a textualist approach to statutory interpretation. See Laser, *The Scope of IPR Estoppel*, *supra* note 84, at 1137–38 (discussing modern trends toward textualism and its impact on statutory interpretation of patent law). This trend will likely continue further given the makeup of the Court as of 2020.

³⁴⁹ See Burk & Lemley, *supra* note 336, at 1669 (arguing that courts tend to get patent policy decisions wrong when they “wash their hands of involvement in the calibration of policy”).

outside the litigation and eye toward consensus building between those interests.³⁵⁰ Patent law in particular is not one of those areas of law where the Supreme Court typically engages in standard-setting based on policy—indeed, the Supreme Court often takes a textualist approach to patent law.³⁵¹ Particularly, as to the scope of equitable defenses to patents, which have immense power in a lawsuit to wipe out the entirety of a judgment if applied at law, those supporting a traditional approach would argue that the policy decisions of patent law require a deliberate, affirmative stance that courts are often unable and appropriately unwilling to provide.³⁵²

Third, those arguing in favor of a traditional approach would urge that the slow pace and requirement for consensus and codification of the law into text promotes certainty and predictability in the law. A single court decision can change in an instant what patent stakeholders believe to be the law, rendering issued patents subject to invalidation and in some cases, undermining the viability of entire industries that relied upon the prior legal regime.³⁵³ Although legislation can also have this effect, it does so at a slower pace that enables key stakeholders to engage with policy makers and allows legislators to attempt to build consensus between competing industries' interests, often with review and comment upon drafts of bills as they will be passed.³⁵⁴ In contrast, litigants often do not know and cannot predict exactly what standards courts will adopt to apply the law in particular cases when a novel issue arises—until the opinion issues, the precise articulation of the standard will be unknown to the public. Moreover, because court decisions can change through review by higher courts or by modification of a doctrine in the next case in response to different facts, standards set forth by courts are less stable than laws passed by Congress. Certainty is important to patent law in particular because if patentees and those who practice inventions cannot determine with reasonable certainty whether and what

³⁵⁰ See CASS R. SUNSTEIN, ONE CASE AT A TIME: JUDICIAL MINIMALISM ON THE SUPREME COURT 4–5 (1999) (advocating for “judicial minimalism” whereby courts limit the scope of their decision to the case at hand).

³⁵¹ See *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018).

³⁵² See *SCA Hygiene Prods. Aktiebolag*, 137 S. Ct. at 967.

³⁵³ See Kevin Madigan & Adam Mossoff, *Turning Gold into Lead: How Patent Eligibility Doctrine Is Undermining U.S. Leadership in Innovation*, 24 *GEO. MASON L. REV.* 939, 939 (2017).

³⁵⁴ See *The Legislative Branch*, *supra* note 343.

remedies will be available for infringement of patents, it changes assessments of the values and risks of investing in patenting and product development.³⁵⁵ The more certainty that courts and lawmakers can provide to innovators as to whether and what type of relief a patentee can obtain for infringement, what behaviors will be deemed inequitable, and what effect those behaviors will have on the right to recovery, the more investments in innovation will be respected today and incentivized tomorrow. Parties can still mitigate risk of uncertainty under a dynamic interpretive regime, but it requires, at a minimum, that courts are predictable about which method they will use and the principles that govern its application.

C. *Alternative Actions by Congress*

There is an alternative way for Congress to address the concern that a static approach to statutory interpretation fails to account for changing circumstances: If tailored to limit conflict with the non-delegation doctrine, Congress could provide, by the text of a statute, that the courts or an administrative agency may continue to develop defenses or standards for applying a doctrine within the contours laid out in the statute.³⁵⁶ The Supreme Court has held that Congress may delegate determinations of details of a law provided that Congress sets forth the contours and policy guidelines and identifies which body will develop those details.³⁵⁷

In practice, Congress frequently delegates some authority to agencies when the details of a law might need to change with

³⁵⁵ See *supra* Part III.B.

³⁵⁶ See Nicholas Quinn Rosenkranz, *Federal Rules of Statutory Interpretation*, 115 HARV. L. REV. 2085, 2139 (2005) (arguing that statutes can be tailored by their text to be decided according to different interpretive principles). Under the nondelegation doctrine, Congress may not delegate lawmaking authority to another branch without “‘lay[ing] down by legislative act an intelligible principle to which the person or body authorized to [act] is directed to conform.’” *Whitman v. American Trucking Ass’n, Inc.*, 531 U.S. 457, 472 (2001). This flows from the Constitution placing “[a]ll legislative Powers . . . in a Congress of the United States.” U.S. CONST. art. I, § 1.

³⁵⁷ *Mistretta v. United States*, 488 U.S. 361, 372–73 (1989) (“[T]his Court has deemed it ‘constitutionally sufficient if Congress clearly delineates the general policy, the public agency which is to apply it, and the boundaries of this delegated authority.’”). One might question whether this is consistent with the nondelegation doctrine. See *id.*

changed circumstances, including in intellectual property statutes.³⁵⁸ For example, in the section of the copyright statute that provides that it is unlawful to attempt to circumvent a technological measure that is designed to prevent copyright infringement, Congress delegated the ability to set forth, every three years, particular exceptions to this rule to account for changes in technology and societal needs.³⁵⁹ Congress could delegate authority to an agency to address the impact of changing technologies on the proper scope of defenses, provided that the delegation includes sufficient guidance to limit conflicts with the nondelegation doctrine.³⁶⁰ For example, the Federal Trade Commission could be tasked with setting forth what uses of a patent would be deemed contrary to the public interest under a misuse analysis, akin to what the Copyright Office sets forth with regard to exceptions to anti-circumvention rules.³⁶¹ Alternatively, Congress could provide that the Patent Office set forth standards for what constitutes fraud in obtaining a patent.³⁶²

Congress can use words that give broader or narrower authority to courts to determine the reach of the law.³⁶³ For example, the Sherman Act provides that conduct “in restraint of trade” is illegal, without defining this term.³⁶⁴ Many urge that this statute delegated authority to courts to determine which conduct leads to a particular economic consequence, which might differ over time³⁶⁵—others might say this authority is inconsistent with nondelegation.³⁶⁶ In patent law’s equitable defenses, those arguing for a dynamic approach might say that Congress’s broad general language was a delegation

³⁵⁸ See 17 U.S.C. § 1201(a)(1)(C) (enabling the Librarian of Congress to set forth, every three years, a set of circumstances under which individuals will be exempt from the prohibition in the statute on circumventions of technological access limitations on copyrighted works).

³⁵⁹ See *id.*

³⁶⁰ See *id.*

³⁶¹ See 17 U.S.C. § 1201.

³⁶² See Duffy, *supra* note 237, at 448 (“[A]gency policing of administrative misconduct would be more stable, predictable, and reliable than the current system of after-the-fact evaluations . . . conducted by the courts.”).

³⁶³ See Rosenkranz, *supra* note 356, at 2139.

³⁶⁴ 15 U.S.C. § 1.

³⁶⁵ See Margaret H. Lemos, *The Other Delegate: Judicially Administered Statutes and the Nondelegation Doctrine*, 81 S. CAL. L. REV. 405, 429 (2008).

³⁶⁶ See *id.* at 461.

to courts to continue to develop the law.³⁶⁷ In contrast, those arguing for an imputed common law approach would say that when Congress used the term “unenforceability,” with an established history in decisional law, it limited the power of courts to act contrary to those boundaries.³⁶⁸ Nevertheless, even words that carry boundaries imputed from common law do not block the inherent power of courts to apply the law by assessing whether a new situation falls within prior boundaries. Ultimately, the reach of equitable defenses comes down to a statutory interpretive choice and Congress has not instructed courts on which method they should apply in patent law.

CONCLUSION

Equity in patent litigation is a high-stakes game, where equitable defenses such as unclean hands and misuse have the capacity to render multi-million-dollar patent infringement verdicts unenforceable if these defenses are interpreted to bar remedies at law. Although equity is often thought to be a flexible doctrine that courts have discretion to extend,³⁶⁹ when equitable doctrines are codified into a statute, significant interpretive questions arise as to whether and how courts’ application of equity is constrained by imputed law. Under a faithful agent approach, equitable defenses would not be extended beyond the boundaries existing in the common law at enactment. Under a dynamic approach, courts would share the duty to update and expand the law of equitable defenses, and perhaps even their reach into actions at law, in accordance with the social and legal norms in place at the time a case is decided. The facts and procedural history of one case might align with a historical nuance in one instance, even when history or policy, depending on the approach used, would not support extension of the same rule in another. Until the Supreme Court provides guidance, lower courts will need to consider not only the equities of a particular case but also historical, normative, and constitutional considerations to decide on an appropriate interpretive method and outcome. This Article provides the battle map to guide such considerations.

³⁶⁷ See Nard, *supra* note 8, at 53.

³⁶⁸ See Manning, *supra* note 7, at 5–6.

³⁶⁹ See Howard L. Oleck, *Historical Nature of Equity Jurisprudence*, 20 FORDHAM L. REV. 23, 25 (1951).