In The
United States Court of Appeals
For The Federal Circuit

THERASENSE, INC. (now known as Abbott Diabetes Care, Inc.) and ABBOTT LABORATORIES,

Plaintiffs – Appellants,

v.

BECTON, DICKINSON AND COMPANY, and NOVA BIOMEDICAL CORPORATION,

Defendants – Appellees,

and

BAYER HEALTHCARE LLC,

Defendant – Appellee.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA IN CONSOLIDATED CASE NOS. 04-CV-2123, 04-CV-3327, 04-CV-3732, AND 05-CV-3117, JUDGE WILLIAM H. ALSUP.

BRIEF OF *AMICUS CURIAE* CONEJO VALLEY BAR ASSOCIATION

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Dated: August 2, 2010

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CERTIFICATE OF INTEREST

Counsel for *amicus* Conejo Valley Bar Association certifies:

1. The full name of every party or *amicus* represented by me is: Conejo Valley Bar Association.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: not applicable.
3. All parent corporations and any publicly held corporations that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are: not applicable.
4. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this Court are: Steven C. Sereboff, M. Kala Sarvaiya, SoCal IP Law Group LLP.

August 2, 2010

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Steven C. Sereboff, Esq.

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RULE

ABOUT *AMICUS CURIAE* CONEJO VALLEY BAR ASSOCIATION

Based in the heart of Southern California's 101 Technology Corridor, the Conejo Valley Bar Association draws its membership primarily from local law firms and in-house attorneys serving small, mid-market and large companies. Our members' clients include high technology, high growth companies in fields such as software, biotech, telecommunications and semiconductors. Our members' clients include technology innovators who vend in some of the world's most competitive markets.

INTRODUCTION

Fourteen years ago, guided by the Patent Act and public policy, the Supreme Court held in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) that claim construction is an issue of law to be decided by the judge alone. Since then, *Markman* hearings have become the norm in mid- to large-sized patent cases, and common in small patent cases, too. The result, judges are better able to manage their patent cases, the parties can establish their positions on validity and infringement earlier, and juries have a more refined case to consider.

The same rationale applies to a court's handling of inequitable conduct. We therefore urge this Court to hold, paraphrasing *Markman*, "The decision of whether the patent applicant acted inequitably and the penalty therefore are exclusively within the province of the court."

Further, there has been too little consideration of how to punish inequitable conduct. Courts should award varying punishments based on the egregiousness of the patentee's acts according to a sliding scale of malfeasance.

Finally, we urge this Court to avoid inflexible tests.

Amicus curiae writes *in pro bono publico*, rather than in support of either party. We are uninterested in the outcome of the case, though decidedly concerned about the issue. We wish to see the American public benefit from innovation, from technical disclosure, and from competition in product and service markets. In short, we support the purpose of the patent system. The Conejo Valley Bar Association believes that the patent laws and Federal Rules of Civil Procedure should be interpreted in ways that best serve these important public policies.

ARGUMENT

I. The Judge Should Decide All Issues of Inequitable Conduct

There is no statutory basis for inequitable conduct – it arises from equity. Inequitable conduct is like other claims that seek injunctions, specific performance, and various types of nonmonetary remedies, all of which are traditionally treated as equitable claims. Thus, just as equitable claims traditionally are decided exclusively by the judge, similarly the issue of inequitable conduct also should be decided exclusively by the judge.[1] Since inequitable conduct can be such an inflammatory issue, it is especially important to keep it away from the jury. Otherwise, the taint of arguments concerning inequitable conduct may wrongly impact a jury's evaluation of infringement based on unrelated facts of the case and invalidity based on unrelated statutory reasons.

Though judges sometimes ask their jury to advise them on the fact issues of inequitable conduct, this Court should follow the success of *Markman* and put an end to jury involvement in inequitable conduct issues.

Without the involvement of a jury, judges will be better able to manage their patent cases. Since this Court required that charges of inequitable conduct satisfy FRCP Rule 9, accused infringers rarely can assert inequitable conduct without discovery. Mandating that judges decide the ultimate issue of inequitable conduct

[1] *Tull v. United States*, 481 U.S. 412 (1987) (There is no right to a jury trial in civil actions involving claims that are essentially equitable in nature.).

will motivate judges to control the scope of discovery on the issue, giving greater leeway when the facts suggest, and reining in aggressive defendants when merited. This also will allow the parties to establish their positions on validity and infringement earlier. The end result will be that juries have a more refined case to consider.

II. The penalty for inequitable conduct should compensate for the harm to the accused infringer and to the public.

Inequitable conduct should be exceptional. Not just a finding of inequitable conduct, but the acts or omissions themselves. As a matter of public policy, applicants should be honest and diligent in their dealings the USPTO. If the public policy works, only very rarely will applicants conduct themselves inequitably, and therefore only rarely should courts find inequitable conduct.

To further this important public policy, judges should have flexibility to create nuanced penalties when they find inequitable conduct. There are different degrees of malfeasance possible on the part of a patentee, and the resulting penalties should reflect this. The norm seems to be that a patent is held unenforceable in its entirety as a penalty for inequitable conduct. This is not right in all cases. What about lesser cases?

Courts should award varying punishments based on the egregiousness of the patentee's acts according to a sliding scale of malfeasance. For example, the judge

should be given the freedom to hold only some claims unenforceable, or limit the period of unenforceability to a period of time, or deprive the patentee from the full range of injunctive and damages remedies. In extreme cases, the judge could hold the patent-in-suit unenforceable, plus related patents, and possibly even unrelated patents. If an applicant has gamed the patent system through inequitable conduct, it also seems fair to deprive the patent of the presumption of validity.

A benefit of allowing flexible penalties is that the accused infringer's ardor in pursuing its inequitable conduct case will be cooled by making the return on their investment in the issue uncertain.

A finding of inequitable conduct should not be the norm, it should be the exception. Thus, any inequitable finding makes a case exceptional. In those exceptional cases, there should be a presumption that the accused infringer should be compensated its attorneys fees. This will provide the salutary effect of motivating patentees to carefully screen their case prior to filing. To a lesser extent it will discourage applicants from committing inequitable conduct.

CONCLUSION

In sum, because of the equitable nature of the inequitable conduct claim, the judge should decide the issue of inequitable conduct. Further, a finding of inequitable conduct should be the exception and not the norm. Patentees should not be punished harshly for innocent mistakes by finding a whole patent portfolio

unenforceable. Instead, in the exceptional cases when a party can demonstrate that a patentee intentionally acquired a patent portfolio fraudulently, only then should the whole patent portfolio be found unenforceable due to inequitable conduct. The punishment resulting from inequitable conduct is so severe that it should be left for the cases which clearly demonstrate the patents were obtained dishonestly or fraudulently. Accordingly, we urge this Court to have the judge exclusively decide the issue of inequitable conduct, and we urge this Court to provide guidance in keeping with the idea that inequitable conduct should be found only in exceptional cases, and that, in the tradition of equity, an appropriate penalty be awarded based on the degree of inequitable conduct.

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