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The Upside Down Inequitable Conduct Defense

Abstract:

The Federal Circuit has famously called the doctrine of inequitable conduct an “absolute plague” that terrorizes patent owners. The penalty for inequitable conduct—rendering the patent unenforceable—is considered a draconian “atomic bomb.” Acting on this view, the court has repeatedly narrowed the doctrine to prevent over-deterrence.

In reality, the problem with inequitable conduct doctrine is not that it is overly harsh, but that it is upside down. When patentees conceal from the Patent Office highly damaging information that would lead to denial of the patent if known, a “penalty” of later rendering the same patent unenforceable—once the concealment is exposed—is no penalty at all. In this way, the practical penalty varies inversely with the culpability of the patentee. Concealing highly damaging information leads to no penalty, since the patent is invalid anyway; while concealing harmless information leads to the strong penalty of losing an otherwise-valid patent.

As the Article will explore, understanding the upside down nature of inequitable conduct leads to many implications. It explains why the conventional wisdom has come to its current state; why the conventional wisdom is nonetheless wrong; and what should be done to reform the doctrine.