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# Courts Are Aligning Patent Fraud, Inequitable Conduct Claims

By **Anne Brody and Elisabeth Ponce** (May 18, 2021, 5:48 PM EDT)

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Prior to 2011, inequitable conduct, a defense to a patent infringement claim, was considered and analyzed as a lesser charge than Walker Process fraud — an antitrust claim alleging unlawful monopolization through the enforcement of a patent obtained by fraud on the U.S. Patent and Trademark Office, derived from the 1965 U.S. Supreme Court decision Walker Process Equipment Inc. v. Food Machinery & Chemical Corp.[1]

That distinction began to change, in practice, in 2011, when the U.S. Court of Appeals for the Federal Circuit responded to an "absolute plague" of "charging inequitable conduct in almost every major patent case" by issuing Therasense Inc. v. Becton Dickinson & Co.[2]

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The post-Therasense decade has revealed that although minor differences remain in the application of these two charges, the showing required for proving inequitable conduct and the fraud component of Walker Process liability "seems to 'be nearly identical.'"[3] Indeed, today's courts largely treat Walker Process and inequitable conduct claims equivalently.

Recent Walker Process fraud case law makes clear that, in analyzing deceptive intent for fraud on the USPTO in an antitrust case, courts have adopted the Therasense inequitable conduct single-most-reasonable-inference standard of intent.

Additionally, it appears that in cases in which both claims of inequitable conduct and Walker Process fraud are asserted, courts are first analyzing the materiality and deceptive intent elements of the alleged inequitable conduct, and then without further analysis, making the same findings on the materiality and deceptive intent elements of the Walker Process fraud claim.

These cases indicate that courts are treating their evaluations of intent to deceive in the inequitable conduct context as also dispositive in the Walker Process fraud context and demonstrate that the single-most-reasonable-inference standard is equally applicable to the deceptive intent element of a Walker Process claim.[4]

The continual harmonization of these two charges recently culminated in Complete Genomics Inc. v.

Illumina Inc., in which the court suggested that a finding of inequitable conduct in an earlier patent case may have preclusive effect and narrow or focus the issues in a later, separate antitrust Walker Process case.[5] This emerging trend will likely have a significant impact in future patent and antitrust cases.

Despite this relative harmonization of the two standards, there are a few remaining differences between proving inequitable conduct and proving fraud on the USPTO.

However, these differences are unlikely to make any practical difference in the courts — at least not in the near future. For one, to prevail on a claim of Walker Process fraud in an antitrust case, in addition to proving fraud on the USPTO, an antitrust plaintiff must also prove other elements of an antitrust claim, such as relevant market and market power, as well as a patentee's knowledge of this fraud when enforcing the patent.[6]

Another remaining difference between the materiality prongs of inequitable conduct and Walker Process fraud is in the analysis of a false declaration. Namely, the Therasense court retained an exception to the but-for standard of materiality in instances of "affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit."[7]

No such corollary exists in the Walker Process context. Accordingly, in those instances, the Walker Process but-for materiality standard remains a higher standard than that required for inequitable conduct.

But in practice, it appears that courts hearing inequitable conduct defenses rarely, if at all, apply the Therasense exception to but-for materiality. Hypothetically, if certain information is only tangential and not material to patentability, it is unlikely that an applicant intended to deceive the USPTO by falsifying that information.[8]

Moreover, while inequitable conduct defenses are equitable claims adjudicated by judges, Walker Process antitrust claims are legal claims tried before juries. In cases in which both charges are present, juries will now likely decide on these charges together by issuing an advisory verdict for inequitable conduct and then rendering their findings on the Walker Process claim. Also, in pretrial motions, these two charges will probably rise and fall together.

The recent Complete Genomics Inc. v. Illumina Inc. opinion foreshadows how courts eventually may hold that a finding of inequitable conduct from an earlier bench trial has preclusive effect on a subsequent legal claim of Walker Process fraud in a separate action.[9]

In that case, the court suggested that "a decision [finding inequitable conduct] in CGI's favor[ ] could narrow or focus the remaining issues for the antitrust litigation,"[10] that is, on the antitrust elements other than the fraud component of the Walker Process claim.

It reasoned that "[t]he Supreme Court has held that the resolution of an equitable claim may have preclusive effect on a subsequent legal claim brought in a separate action and that such an outcome does not violate the Seventh Amendment."[11]

While the court's reasoning was foreseeable given the gradual harmonization of these two charges, it is inconsistent with the notion that an inequitable conduct defense is a lesser charge than the antitrust claim of Walker Process fraud.

Moreover, this decision may cause future patent challengers asserting an inequitable conduct defense to be more likely to assert an antitrust Walker Process claim in the same patent case in order to have a jury adjudicate these issues.

Even if an antitrust Walker Process claim is not brought in the same patent case, one party or both parties may now want to advocate for an advisory jury on the inequitable conduct defense in light of the almost certain preclusive effect on any potential Walker Process antitrust claims in the future.

Regardless of whether or not the Federal Circuit intended to completely harmonize these two charges in Therasense, at the next opportunity, the court could perhaps provide further clarity on their relationship.

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[1] Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1069 (Fed. Cir. 1998).

[2] Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1289 (Fed. Cir. 2011) (quoting Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988)).

[3] Inline Packaging, LLC v. Graphic Packaging Int'l, LLC, 962 F.3d 1015, 1024–25 (8th Cir. 2020) (citation omitted).

[4] See In re Loestrin 24 Fe Antitrust Litig., 433 F. Supp. 3d 274, 305 (D.R.I. 2019) (explaining that in a Walker Process case, "[i]ntent to deceive must be 'the single most reasonable inference able to be drawn from the evidence.'"); Targus Int'l LLC v. Victorinox Swiss Army, Inc., No.20-464-RGA, 2020 WL 7264199, at *6–7 nn.9–10 (D. Del. Dec. 10, 2020) (explaining that "the parties do not dispute that if the Court finds (as it has) that Victorinox has adequately pleaded inequitable conduct as to Counterclaim III and the Third Defense, it has also sufficiently pleaded the fraud component of a Walker Process claim."); Guardant Health Inc. v. Found. Med., Inc., No. 17-1616-LPS-CJB, 2020 WL 2461551, at *8–13 (D. Del. May 7, 2020).

[5] Complete Genomics, Inc. v. Illumina, Inc., No. 21-CV-00217-WHO, 2021 WL 1197096, at *3 (N.D. Cal. Mar. 30, 2021).

[6] Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 174, 176–77 (1965); Inline Packaging, 962 F.3d at 1024–25.

[7] Therasense, 649 F.3d at 1292.

[8] See, e.g., Outside the Box Innovations, LLC v. Travel Caddy, Inc., 695 F.3d 1285, 1294 (Fed. Cir. 2012) (per curiam).

[9] Complete Genomics v. Illumina, 2021 WL 1197096, at *3–4.

[10] Id.

[11] Id. at *4 (internal citation omitted).