

# ADJUSTING THE INDIVIDUAL DUTY OF DISCLOSURE TO MEET THE REALITY OF CORPORATE PARTICIPATION IN PATENT PROSECUTION

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## INTRODUCTION

On July 31, 2000, Exergen Corporation filed an amendment to a patent application for a thermometer with the United States Patent and Trademark Office (PTO) in an attempt to convince the patent examiner to grant a patent.<sup>1</sup> In the amendment, Exergen made the argument that “[w]hat had not been generally appreciated by those skilled in the art of temperature measurement was that the superficial temporal artery . . . provides an exceptionally reliable temperature reading.”<sup>2</sup> On that same day, anyone reading product descriptions on Exergen’s website could have found that “[t]he temporal artery area has a long history of temperature measurement, dating back to the early centuries before Christ . . . .”<sup>3</sup>

After the thermometer patent issued, Exergen filed suit against multiple defendants, including S.A.A.T. Systems Application of Advanced Technology, Ltd. (SAAT), for infringement. As part of its defense, SAAT argued that Exergen committed inequitable conduct at the PTO by telling the patent examiner that the temporal artery was not previously known as a reliable method of measuring temperature while simultaneously telling the public, on its website, that there is a long history of using the temporal artery to measure body temperature.<sup>4</sup> Despite the apparent contradiction between what Exergen represented to the PTO and on its website, the Federal Circuit

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1. See *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326 (Fed. Cir. 2009).
2. *Id.*
3. *Id.*
4. See *id.*

held that SAAT failed to plead inequitable conduct with particularity<sup>5</sup> based, in part, on SAAT's failure to allege that any specific individual associated with the patent application both knew the information and withheld it.<sup>6</sup> By focusing so narrowly on individual conduct, the court may have missed the proverbial forest for the trees.

During the prosecution of a patent application before the PTO, the applicant has a duty of candor and good faith in dealing with the PTO.<sup>7</sup> This duty, codified at 37 C.F.R. § 1.56 (Rule 56), which actually extends to individuals besides the applicant himself,<sup>8</sup> includes a duty to disclose to the PTO any information material to the patentability of an invention.<sup>9</sup> A party may raise inequitable conduct as an affirmative defense<sup>10</sup> to patent infringement when any person intentionally omits or misrepresents to the PTO any information that he has a duty to disclose. If the defense is successful, even as to a single claim of the patent, a court will render the entire patent unenforceable with the possibility of also rendering related patents unenforceable.<sup>11</sup> Due to the severe nature of a finding of inequitable conduct, one federal judge has dubbed the remedy an "atomic bomb."<sup>12</sup>

The purpose of the doctrine, in addition to its use as an ethical tool, is to encourage patent applicants to submit all the relevant material within their grasp so that patent examiners have a lesser burden to conduct their own thorough searches.<sup>13</sup> This purpose is useful because patent examiners are a valuable resource with limited time to efficiently examine patent applications, and because a patent ap-

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5. Like fraud, one must plead inequitable conduct with "particularity" as required by Federal Rule of Civil Procedure 9(b). See *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1356 (Fed. Cir. 2007).

6. See *Exergen*, 575 F.3d at 1329.

7. See 37 C.F.R. § 1.56(a) (2010).

8. The duty of candor and good faith applies to

(1) [e]ach inventor named in the application; (2) [e]ach attorney or agent who prepares or prosecutes the application; and (3) [e]very other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

*Id.* § 1.56(c).

9. See *id.* § 1.56(a).

10. See 35 U.S.C. § 282(1) (2006) (establishing that "unenforceability" is a defense to an action of infringement that must be pleaded).

11. See *Consol. Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804, 809-11 (Fed. Cir. 1990); *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988).

12. See *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting).

13. See *id.*

plicant is in the best position to provide the most relevant information to examiners. Since an invalid patent or a patent with questionable validity harms society as a whole by increasing the cost of innovation,<sup>14</sup> it is in the best interest of society to have the most efficient patent examining process possible, which ideally grants only valid patents.

Two main critiques have emerged arguing that the doctrine of inequitable conduct does not do enough to help reach this goal. The first is that the doctrine, because it is so frequently asserted in patent infringement cases, increases the cost of innovation by significantly increasing the cost of litigation.<sup>15</sup> In fact, the almost knee-jerk reaction of asserting inequitable conduct in patent infringement suits has been called “an absolute plague” in the Federal Circuit.<sup>16</sup> The second major critique is that the doctrine does not require enough disclosure to aid examiners in the patent prosecution process.<sup>17</sup>

This Note addresses a specific problem involving the latter critique regarding the scope of disclosure required during patent prosecution. The proposed solution, meant to ensure that corporations disclose all information material to patentability within their grasp, is a novel idea within the context of patent law. The duty to disclose information material to patentability, as it is currently structured, only applies to individual actors. However, the entity with the most interest in, and most control of, patent applications is usually a corporation.<sup>18</sup> This disconnect creates potential incentives for corporations to encourage all employees not essential to prosecution of a patent to remain ignorant and removed from prosecution to minimize the number of individual employees with a duty to disclose information to the PTO. This is problematic because the effectiveness of the patent system, including both the efficiency of the PTO and the quality of information disclosed by patents, hinges on full material disclosure by the patentee. Without full disclosure, the PTO will be slow or unable to discover on its own information that the corporation could have disclosed, decreasing the efficiency of an already

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14. See FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 3-6 (2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

15. See Christopher A. Cotropia, *Modernizing Patent Law’s Inequitable Conduct Doctrine*, 24 BERKELEY TECH. L.J. 723, 739 (2009).

16. See *Burlington Indus. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

17. See Cotropia, *supra* note 15, at 739.

18. See *infra* notes 70-74 and accompanying text.

strained Patent Office. Further, without full disclosure, invalid patents may issue, denying the public the ability to practice an invention that rightfully should be permitted.

This Note proposes that when a corporation is the assignee of a patent application, or there is an obligation to assign the application to a corporation, the law should treat a corporation as a “person who is substantively involved in the preparation or prosecution of the application”<sup>19</sup> for the purposes of Rule 56. This would mean that the corporation itself has a duty to disclose any information materially relevant to patentability when prosecuting a patent application. The goal of treating the corporation as such is to ensure that when a corporation is, for all intents and purposes, the patent applicant, the corporation will disclose all information material to patentability within its grasp. While there may already be strong incentives for corporations to fully disclose information, such as the incentive to obtain the strongest patent possible, establishing a relatively cheap framework for promoting full disclosure from all arms of a corporation could significantly help achieve both full disclosure and strong patents with value to both the public and the patentee.

Part I of this Note provides a brief overview of the inequitable conduct doctrine in patent law, including the associated policies, standards, and remedies. Part II explains the discrepancy between the treatment of individuals in the inequitable conduct doctrine and the reality of corporate involvement to set up the specific problems arising from this system as detailed in Part III. Finally, Part IV of this Note draws on corporate fraud law to help suggest possible mechanisms that can satisfactorily accommodate the reality of corporate involvement in the patent application process.

## I. THE INEQUITABLE CONDUCT DOCTRINE

Patent law has long recognized, in one form or another, the doctrine of inequitable conduct. The United States’ first patent statute, the Patent Act of 1790, sanctioned a private cause of action to repeal “any patent . . . obtained surreptitiously by, or upon false suggestion . . . .”<sup>20</sup> While all of the patent statutes from the 1790 Act to the current 1952 Act continued to incorporate some flavor of the inequita-

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19. 37 C.F.R. § 1.56(c)(3) (2010).

20. Patent Act of April 10, 1790, ch. 7, § 5, 1 Stat. 109, 111 (repealed 1793).

ble conduct doctrine,<sup>21</sup> it took over 150 years from the passage of the first Patent Act for the Supreme Court to firmly recognize the strong public interest in denying patent monopolies obtained by fraud.<sup>22</sup> Since the Court recognized the patent applicant's "uncompromising duty to report to it all facts concerning possible fraud or inequity underlying [patent] applications,"<sup>23</sup> the standards against which to judge this duty have continuously evolved.<sup>24</sup> Currently, an accused infringer must show that a patentee intentionally withheld material information from the PTO during prosecution of the patent to succeed on an inequitable conduct defense. Therefore, the two elements of inequitable conduct are materiality and intent.<sup>25</sup>

### A. Brief History of the Materiality Standard

The concept of material information is a key aspect of the inequitable conduct doctrine. What exactly constitutes material information, however, is not clear. The PTO has put forth a standard of materiality in Rule 56, the most recent version of which states that information is material if

- (1) [i]t establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim;
- or (2) [i]t refutes or is inconsistent with, a position the appli-

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21. The Patent Act of 1793 extended the statute of limitations for filing a private action to repeal a patent for fraud from one year to three years. *See* Act of February 21, 1793, ch. 11, § 10, 1 Stat. 318, 320. The Patent Act of 1836 authorized an accused infringer to assert fraudulent patent procurement as a defense to infringement. *See* Act of July 4, 1836, ch. 357, § 15, 5 Stat. 117, 122. The Consolidated Patent Act of 1870 expanded upon the previous Act of 1836 by allowing an accused infringer to assert as a defense that the patentee obtained the patent by deceptive application. *See* Act of July 8, 1870, ch. 230, § 61, 16 Stat. 198, 212. The current Patent Act of 1952 specifically enumerates unenforceability as a defense "[i]n actions involving the validity or infringement of a patent." Act of July 19, 1952, ch. 950, 66 Stat. 792 (provision codified as amended at 35 U.S.C. § 282 (2006)).

22. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 816 (1945) ("The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.").

23. *See id.* at 818.

24. For a review of the development of these standards before and after the formation of the Federal Circuit, see Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 52-87 (1993).

25. *See, e.g.,* Sean M. O'Connor, *Defusing the "Atomic Bomb" of Patent Litigation: Avoiding and Defending Against Allegations of Inequitable Conduct After McKesson et al.*, 9 J. MARSHALL REV. INTELL. PROP. L. 330, 378 (2009).

cant takes in: (i) [o]pposing an argument of patentability relied on by the Office, or (ii) [a]sserting an argument of patentability.<sup>26</sup>

This version (adopted in 1992) is an amendment to the earlier Rule 56 standard (adopted in 1977), which deemed information material “where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”<sup>27</sup> Amended Rule 56 is not retroactive and applies only to patents filed or pending after March 16, 1992, the date the amendment took effect.<sup>28</sup> In addition to these rules that apply to the PTO, the judiciary has used several other standards for materiality. These include (1) the “objective but for” test, in which the patent would not have issued but for the misconduct; (2) the “subjective but for” test, in which the misrepresentations must have actually caused the examiner to allow the patent to issue; and (3) the “but it may have” test, in which the misrepresentations may have affected the examiner during prosecution.<sup>29</sup>

Before 1992, the “reasonable examiner” standard originally put forth by the PTO, being broader in scope than the three judicially created standards, became the predominant standard that the Federal Circuit invoked in inequitable conduct cases.<sup>30</sup> Initially following the Rule 56 amendment, the Federal Circuit seemed ready to apply the new and narrower standard uniformly.<sup>31</sup> However, the court soon backed away from this position. In 2006, the Federal Circuit made clear that it is free to use any one of multiple tests for materiality and that the 1992 standard “merely provides an additional test.”<sup>32</sup> Perhaps, as at least one scholar has suggested, the lack of any

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26. 37 C.F.R. § 1.56(b) (2010).

27. 37 C.F.R. § 1.56(a) (1977).

28. The new rule was not retroactive so as to ensure that applicants that prosecuted a patent under one standard would not be judged under another. See Elizabeth Peters, *Are We Living in a Material World? An Analysis of the Federal Circuit's Materiality Standard Under the Patent Doctrine of Inequitable Conduct*, 93 IOWA L. REV. 1519, 1532 (2008); see also *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 n.8 (Fed. Cir. 1995).

29. See *In re Multidistrict Litig. Involving Frost Patent*, 398 F. Supp. 1353, 1368 (D. Del. 1975), *aff'd*, 540 F.2d 601 (3d Cir. 1976) (summarizing the different materiality standards).

30. See *Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1316 (Fed. Cir. 2006) (citing cases in the late 1980s and early 1990s).

31. See *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed. Cir. 1997) (“The starting point in determining materiality is [Rule 56].”); see also *Purdue Pharma L.P. v. Endo Pharm. Inc.*, 438 F.3d 1123, 1129 (Fed. Cir. 2006).

32. *Digital Control*, 437 F.3d at 1316.

single clear materiality standard stems from a desire by the Federal Circuit to maintain as much leeway as possible when deciding whether or not to enforce the equitable remedy of inequitable conduct.<sup>33</sup> In continuance of its changing application of materiality standards, the Federal Circuit has most recently been using solely the broad “reasonable examiner” standard.<sup>34</sup> Although the proper standard for materiality is still in flux, the Federal Circuit will soon decide, en banc, a case poised to specifically answer what the appropriate standard is for materiality in inequitable conduct cases.<sup>35</sup>

### B. The Intent Standard

The second requirement for a finding of inequitable conduct is the intent to deceive the PTO.<sup>36</sup> The intent element, which must be shown by clear and convincing evidence,<sup>37</sup> is a separate analysis from the first requirement of materiality.<sup>38</sup> While earlier cases allowed a finding of intent based on evidence of gross negligence,<sup>39</sup> more recently, the Federal Circuit plainly stated that gross negligence “does not of itself justify an inference of intent to deceive.”<sup>40</sup> In order to prove intent, then, a party must provide clear and convincing evidence that an applicant “made a deliberate decision to withhold a known material reference.”<sup>41</sup>

As recently pointed out by Judge Linn, the court has moved away from this separation of materiality and intent. In a concurrence, he explained that “[t]his standard permits an inference of deceptive intent when ‘(1) highly material information is withheld; (2) the applicant knew of the information [and] . . . knew or should have known

33. See Kali Murray & Dimitriy Vinarov, *Rethinking Patent Fraud Enforcement in a Reform Era*, 13 MARQ. INTELL. PROP. L. REV. 263, 270-71 (2009).

34. See *Pfizer, Inc. v. Teva Pharm. USA, Inc.*, 518 F.3d 1353, 1366 (Fed. Cir. 2008) (using the “reasonable examiner” standard to analyze materiality); *eSpeed, Inc. v. BrokerTec USA, Inc.*, 480 F.3d 1129, 1136-37 (Fed. Cir. 2007).

35. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 374 F. App’x 35, 36 (Fed. Cir. 2010).

36. See, e.g., *J.P. Stevens & Co. v. Lex Text Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984).

37. See *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384 (Fed. Cir. 1998).

38. See *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008) (“[M]ateriality does not presume intent, which is a separate and essential component of inequitable conduct.”) (quoting *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1274 (Fed. Cir. 2001)).

39. See, e.g., *In re Jerabek*, 789 F.2d 886, 891 (Fed. Cir. 1986).

40. *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc).

41. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1181 (Fed. Cir. 1995).

of the materiality of the information; and (3) the applicant has not provided a credible explanation for the withholding."<sup>42</sup> The lack of a clearly stated and uniform intent standard based on specific intent that also separates any materiality analysis from the intent analysis has been the subject of recent criticism.<sup>43</sup> In fact, one commentator recently asserted that this overlap between the materiality and intent analyses is the main cause of ambiguity in the inequitable conduct doctrine.<sup>44</sup> Although the current law regarding the relationship between materiality and intent is uncertain, the Federal Circuit is expected to decide this question soon.<sup>45</sup>

### C. *Effect of a Finding of Inequitable Conduct*

Before a party can successfully assert inequitable conduct, the court must find threshold levels of materiality and intent. After this, the court weighs them "to determine whether the equities warrant a conclusion that inequitable conduct occurred."<sup>46</sup> A finding of a high level of materiality can offset a low level of intent.<sup>47</sup> On the other hand, a low level of materiality will require a higher level of intent for inequitable conduct to be found.<sup>48</sup>

After a party charged with infringement successfully asserts the affirmative defense of inequitable conduct, the court will drop the "atomic bomb remedy of unenforceability."<sup>49</sup> In sharp contrast to a finding of invalidity, which causes the particular claim at issue to become invalid,<sup>50</sup> finding a patent unenforceable renders every single claim of the patent unenforceable.<sup>51</sup> This remains true even if the inequitable conduct applies to only a single claim of the patent. Additionally, it is even possible that a finding of unenforceability of

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42. *Larson Mfg. Co. of S.D. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1343 (Fed. Cir. 2009) (Linn, J., concurring) (quoting *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1313-14 (Fed. Cir. 2008)).

43. *See id.* at 1344 (calling for an en banc review to determine the correct standard of intent in inequitable conduct).

44. *See Cotropia*, *supra* note 15, at 776.

45. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 374 F. App'x 35, 36-37 (Fed. Cir. 2010).

46. *Purdue Pharma L.P. v. Endo Pharm. Inc.*, 438 F.3d 1123, 1128 (Fed. Cir. 2006).

47. *See Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1381 (Fed. Cir. 2001).

48. *See Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1439 (Fed. Cir. 1991).

49. *See Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting) (internal quotations omitted).

50. *See* 35 U.S.C. § 282(2)-(3) (2006).

51. *See Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988) (en banc).



one patent will spread to other patents. If a court finds inequitable conduct regarding one patent and that conduct had an “immediate and necessary relation to” the enforcement of related patents, the court may render the whole family of patents unenforceable,<sup>52</sup> though this is rare.

#### D. Duty to Disclose

Courts carry out the analyses of materiality and intent against the backdrop of a failure to disclose information to the PTO. When an applicant fails to satisfy the duty to disclose, he violates the duty of candor and good faith,<sup>53</sup> and thus commits inequitable conduct. Applicants violate the duty to disclose when they misrepresent or omit material information, or submit false material information to the PTO.<sup>54</sup> While applicants must disclose any information material to patentability, the typical examples of matters involved in an inequitable conduct claim include prior art references, information connected to statutory bars, and data regarding the subject matter of the patent application.<sup>55</sup> One does not need to disclose material information, however, if it is cumulative of other information of record in the application.<sup>56</sup> Furthermore, because there is no duty to actively search for material information, the duty only applies to what the applicant already knows.<sup>57</sup> Importantly, however, recent cases have suggested that an applicant may not purposely avoid determining whether information already known to him is material—in order to avoid triggering the duty to disclose—if the materiality of that information “may so readily be determined.”<sup>58</sup>

As Rule 56 is currently structured, this duty to disclose only applies to individuals. These individuals are specifically listed as the

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52. See *Consol. Aluminum Corp. v. Foseco Int’l*, 910 F.2d 804, 810 (Fed. Cir. 1990) (quoting *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933)).

53. See 37 C.F.R. § 1.56(a) (2010) (“Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.”).

54. See Scott D. Anderson, *Inequitable Conduct: Persistent Problems and Recommended Resolutions*, 82 MARQ. L. REV. 845, 852 (1999) (quoting *Kingsdown*, 863 F.2d at 872).

55. See *id.* at 855–56 (citations omitted).

56. See *Honeywell Int’l Inc. v. Universal Avionics Sys. Corp.*, 488 F.3d 982, 1000 (Fed. Cir. 2007).

57. See *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987).

58. *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001).

inventor, attorneys or patent agents preparing the application, and any other person “substantively involved in the preparation or prosecution of the application.”<sup>59</sup> The *Manual of Patent Examining Procedure* (MPEP)<sup>60</sup> explains that the language of Rule 56 is meant to clarify that the duty applies solely to individuals and not organizations.<sup>61</sup> As an example, the MPEP states that “the duty of disclosure would not apply to a corporation or institution as such. However, it would apply to individuals within the corporation or institution who were substantively involved in the preparation or prosecution of the application.”<sup>62</sup> While the MPEP is clear that the duty to disclose only applies to individuals, courts have suggested other possibilities. Although no court has faced the issue directly, some courts have, in dicta, suggested that the duty to disclose should apply to corporations in addition to their employees. For example, the First Circuit mentioned in a footnote that it

certainly would not approve the proposition that a corporate assignee of a patent cleanses itself of all culpability for misrepresentations inserted in a patent application filed on its behalf by purposely keeping its officers in the dark concerning the application’s contents and placing the entire burden of proper disclosure on an inventor not versed in patent law and an attorney kept ignorant of putatively relevant facts.<sup>63</sup>

Similarly, the Ninth Circuit drew upon agency law in explaining that

a corporate principal is considered to know what its agents discover concerning those matters in which the agents have power to bind the principal . . . . [E]ven when an agent has no reason to know the falsity of the representations he or

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59. 37 C.F.R. § 1.56(c) (2010).

60. The MPEP is published by the PTO and “outlines the current procedures which the examiners are required or authorized to follow in appropriate cases in the normal examination of a patent application. The [MPEP] does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations.” *Foreword* to U.S. PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE (8th ed., rev. 8, 2010).

61. *See generally id.* §§ 2000–02 (outlining the duty of disclosure).

62. *Id.* § 2001.01.

63. *Digital Equip. Corp. v. Diamond*, 653 F.2d 701, 720 n.25 (1st Cir. 1981).

she makes, the principal is liable if it knows the falsity and has reason to know the agent would make the statement.<sup>64</sup>

While the idea that a corporation, as assignee to a patent application, should have a duty to disclose material information during patent prosecution is not entirely novel, there has been very little discussion on the topic before now. Before diving in, however, the treatment of corporations in the patent prosecution context must be discussed.

## II. PATENTS, INDIVIDUALS, AND CORPORATIONS

The U.S. Constitution grants Congress the power “to promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries.”<sup>65</sup> While the exact definition of “inventor” may escape precise definition by both the Patent Act and the Supreme Court,<sup>66</sup> there is no question that the requirement to be an inventor can only be fulfilled by a natural person and never by a corporate entity.<sup>67</sup> Thus, every patent must have at least one human inventor listed.

The inventor (or group of inventors) is the presumptive owner of all the rights granted by a patent.<sup>68</sup> This, however, is merely a presumption. Patent inventorship and patent ownership are actually very separate concepts.<sup>69</sup> The inventor has the option, if not a duty, to transfer ownership of the patent or patent application by written

64. *W.R. Grace & Co. v. W. U.S. Indus., Inc.*, 608 F.2d 1214, 1218 (9th Cir. 1979).

65. U.S. CONST. art. I, § 8, cl. 8.

66. See Donald S. Chisum, *The Patentability of Algorithms*, 47 U. PITT. L. REV. 959, 1013 (1986) (contrasting the frequency with which courts address the definition of the constitutional terms “authors” and “writings” with “inventors” and “discoveries”).

67. In order to file a patent application, the “applicant shall make oath that he believes himself to be the original and first inventor of the [invention] for which he solicits a patent.” 35 U.S.C. § 115 (2006). As only the human inventor, or inventors, could satisfy the requirement of individually making such an oath, patent law bars a corporation from being considered an inventor. See Steven Cherenky, Comment, *A Penny for Their Thoughts: Employee-Inventors, Pre-invention Assignment Agreements, Property, and Personhood*, 81 CAL. L. REV. 597, 603 (1997).

68. See 8 DONALD S. CHISUM, CHISUM ON PATENTS § 22.01 (1993 & Supp. 2003).

69. The inventor can generally be thought of as the person(s) who “conceives the solution to the problem, the means to the desired end, which constitutes the subject matter of the invention.” 1 DONALD S. CHISUM, CHISUM ON PATENTS § 2.02 (2007). The patent owner, on the other hand, is the entity with the “right to exclude others from making, using, offering for sale or selling the invention.” 35 U.S.C. § 154(a)(1) (2006).

assignment to a legal entity, such as a corporation.<sup>70</sup> The duty to assign often arises in the context of an employment relationship in which the employee is contractually obligated to assign to his employer any patent or patent application that arises from work or research carried out in the scope of employment. These agreements are very common, with estimates projecting that up to 90% of employees working in technical fields have signed some sort of invention assignment agreement.<sup>71</sup> Despite the fact that corporations can never be regarded as inventors, patents are very frequently issued to corporations.<sup>72</sup> This must not be overlooked given that 85% to 90% of inventions are created by inventors working in the course of their employment.<sup>73</sup> Furthermore, the percentage of patents created by such inventors and issued to corporations has been increasing steadily over time.<sup>74</sup> This suggests that, relative to the life of patent law and the inequitable conduct doctrine in the United States, the major involvement of corporations in acquiring patents is a new development. As a result, while many aspects of patent law – and especially inequitable conduct – are doctrinally focused on individual actors, the reality is that corporations are the main driving force in pushing patent applications through all stages at the PTO.

### III. THE PROBLEMS CREATED BY THE DISCONNECT

The discrepancy in the inequitable conduct doctrine between the focus on an individual's duty to disclose and the reality of corporate

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70. See 35 U.S.C. § 261 (2006) ("Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing.").

71. One study suggested that, in 1973, 90% of California inventors listed on issued chemical patents had signed some form of employment assignment agreement. See Henrik D. Parker, *Reform for Rights of Employed Inventors*, 57 S. CAL. L. REV. 603, 604 n.15 (1984). Although the fact that a high percentage of technical employees agree to assign inventions to their employers is an important concept, the most important figures are those indicating exactly how many patents are *actually* assigned to corporate entities at the time of the grant. See *id.*

72. In the early 1970s it was reported that over 80% of patents went to corporate assignees. *Id.* at 604.

73. Most recently, in each year from 2006 through 2008, between 85% and 90% of patents issued in the United States were issued to corporate assignees. The majority of the remaining patents were issued to individuals with a very small percentage issued to governments. See U.S. PATENT & TRADEMARK OFFICE, PATENT TECHNOLOGY MONITORING TEAM REPORT, A1-1 (2009), available at <http://www.uspto.gov/web/offices/ac/ido/oeip/taf/apat.pdf>.

74. The earliest data that the PTO posts regarding corporate assignment of patents are from before 1964. In that year, only 70% of patents were issued to corporations. See *id.* at A1-2b. While the PTO does not post this type of data for years before 1963, it is likely that the percentage of patents issued to corporate assignees becomes smaller for earlier and earlier years.

involvement creates two related problems. It is possible to illustrate both problems with a relatively simple and plausible hypothetical. Imagine a situation in which a small corporation is composed of a research division and marketing division. Inventors in the research division have invented a new medical device which they believe is patentable. The highest official in the corporation directs the inventors of the device to apply for a patent with the help of a patent attorney. Soon thereafter, the official directs the head of marketing to create a marketing campaign for the new device that explains all of the device's benefits and features. In his research, the marketing director finds a selection of successful past devices X, Y, and Z, which had features similar to the new device. The touchstone of the marketing campaign is that the new device far surpasses the function of devices X, Y, and Z. In reality, however, the new device would be obvious<sup>75</sup> in light of the past devices. This does not hinder the patent application, however, because the head of the corporation ensures that the inventors and patent attorney have no contact with employees in the marketing division. Thus, the few individuals with the duty to disclose never learn of devices X, Y, and Z. Further, the examiner at the PTO, with too many applications and too little time, never discovers prior art devices X, Y, and Z, and, as a result, grants the patent.

The first problem that becomes clear is that the current structure of the inequitable conduct doctrine promotes purposeful ignorance within the walls of a corporate assignee. This is simply because as more individuals are involved with prosecuting an application and as each individual gains more knowledge, there is a corresponding increase in the likelihood that an unenforceability claim would succeed in any subsequent patent litigation. A corporation would then be wise to ensure that any employees likely to already have or later gain information material to the patentability of an invention and who are not absolutely essential to securing the patent are far removed from any participation in prosecuting a patent application. The temptation to keep individuals besides the inventor isolated from any participation in the patent prosecution process is in stark contrast to the general policies behind patent law. These policies

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75. One of the requirements of obtaining a patent is that the invention not be obvious, in light of the prior art, to persons of ordinary skill in the relevant field. *See Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). Thus, if a person of skill in the art would find that the new hypothetical invention is obvious in light of inventions X, Y, and Z, the PTO would reject the application for being obvious.

focus on awarding a patentee a time-limited monopoly in return for divulging to the public full and accurate information regarding the invention. This problem stems from the fact that the duty to disclose material information applies only to individuals substantively involved in prosecuting a patent application.

The second problem is that the current doctrine creates an unjustified safe harbor for corporations that act inequitably by failing to disclose material information during the patent prosecution process. In the hypothetical, it seems that the only person with any intent to deceive the PTO is the highest officer in the corporation. Because that officer himself made no statements to the PTO, and no other individual had any intent to deceive, finding that the company acted inequitably is impossible. This problem results because all intent standards used in inequitable conduct determinations focus on the individual.

Both of these problems may potentially cause the PTO to grant patent applications without considering all the relevant material information. At best, the end result is a patent that discloses to the public less information than it deserves for granting the patentee a monopoly. At worst, the end result is an invalid patent that removes from the public the ability to practice an invention that otherwise any person could freely practice. Furthermore, as the total amount of material information in front of the examiner decreases, the more difficult the job becomes to determine if an applicant has met the requirements to obtain a patent,<sup>76</sup> thus reducing the overall efficiency of the patent examination process. Regardless of the specific effect, the public is harmed.

A two-pronged solution could largely ameliorate both of these problems. First, the PTO should amend Rule 56 to specify that, when a patent application is owned or under a duty to be assigned to a corporation, the duty to disclose material information to the PTO also applies to the corporation. Further, this duty should be considered unsatisfied by the corporation unless a management-level employee certifies that the corporation has established an internal mechanism to help ensure that any information material to patentability known by employees becomes known to the officer making the certification. In addition to amending Rule 56 to broad-

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76. Generally, in order for the PTO to grant a patent on an application, the invention must constitute patentable subject matter: be useful, be novel, avoid certain statutory bars, and be nonobvious in light of the prior art. *See* 35 U.S.C. §§ 101-03 (2006).

en the duty to disclose, the PTO or Congress itself should codify a standard by which courts can judge intent to deceive. Any such rule or legislation should allow a finding of intent beyond the situation in which the person making the material misrepresentation must have the intent to deceive. A corporation would have the intent to deceive if a management-level employee had the intent to deceive the PTO, even if a lower-level employee was actually the person making the material misrepresentations. It should remain clear, however, that there must be at least one individual with the intent to deceive as opposed to the corporation as an entity having some ethereal form of intent. These ideas are not new in general, but have thus far been unexplored in the context of patent law. The following section looks at the treatment of corporations' duties to disclose and corporate intent in securities fraud law to find appropriate parallels for patent law to adopt.

#### IV. ANALYSIS

In order to analyze these problems and possible solutions that generally evade discussion in patent law, it is helpful to look to areas of corporate law that have dealt with similar issues. This Part begins with a discussion of the duty to disclose information material to financial statements as presented in the Sarbanes-Oxley Act of 2002. Next, different treatments of corporate intent in securities fraud will be analyzed to find an appropriate standard for the purposes of the inequitable conduct doctrine. Finally, this Part concludes with a case study of a recent Federal Circuit decision. The case study will show the existence of the problems asserted in this Note and will illustrate how the solutions would apply in an actual case.

##### *A. Corporate Disclosure: Applying Ideas in the Provisions of the Sarbanes-Oxley Act of 2002 to the Duty of Candor and Good Faith*

In 2001 and 2002, the massively publicized corporate scandals of Enron, WorldCom, and Tyco brought to light situations in which corporate officials claimed a lack of knowledge of corporate misconduct and fraud.<sup>77</sup> One of the responses to these scandals was the

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77. See Luke Alverson, *Sarbanes-Oxley §§ 302 & 906: Corporate Reform or Legislative Redundancy? A Critical Look at the "New" Corporate Responsibility for Financial Reports*, 33 SEC. REG. L.J. 15, 15 (2005).

Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley, or the Act).<sup>78</sup> A main purpose of the Act is to “protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws . . . .”<sup>79</sup> Section 302 of the Act, entitled “Corporate Responsibility for Financial Reports,” accomplishes this by addressing top corporate officers’ duties with regards to financial statements submitted to the Securities and Exchange Commission (SEC) and by requiring internal controls of information.<sup>80</sup> Specifically, two of the statements that the corporate officers—usually the CEO and CFO—must certify are that based on the officer’s knowledge, there are no untrue statements or omissions of material fact<sup>81</sup> and that the officers “have designed such internal controls to ensure that material information . . . is made known to such officers . . . .”<sup>82</sup>

Even after a cursory analysis it becomes apparent that the goals of Sarbanes-Oxley parallel those of the inequitable conduct doctrine. Both attempt to protect third-party interests by demanding full and accurate disclosure. While Congress enacted Sarbanes-Oxley to protect investors’ financial interests,<sup>83</sup> the inequitable conduct doctrine protects the interest of the general public by maintaining quality patents and thereby fostering competition in innovation. The method of protection is essentially the same. Where Sarbanes-Oxley requires disclosure of all material facts related to the financial reports being submitted to the SEC,<sup>84</sup> the duty of candor and good faith in patent law requires the disclosure to the PTO of all information material to the patentability of the invention.

Sarbanes-Oxley does more to require disclosure than the duty of candor and good faith, however. In addition to the duty to disclose all material information relating to financial statements, the Act also requires that the top officer maintain internal control systems to ensure that he becomes aware of any information material to the re-

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78. Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745 (2002).

79. *Id.*

80. See Alverson, *supra* note 77, at 15–16 (2005).

81. Sarbanes-Oxley Act of 2002 § 302(a)(2).

82. *Id.* § 302(a)(4)(B).

83. See, e.g., Lauren Colasacco, Note, *Where Were the Accountants? Deepening Insolvency as a Means of Ensuring Accountants’ Presence when Corporate Turmoil Materializes*, 78 FORDHAM L. REV. 793, 812–13 (2009).

84. This material information must be fairly presented. See John C. Coffee, Jr., *Gatekeeper Failure and Reform: The Challenge of Fashioning Relevant Reforms*, 84 B.U. L. REV. 301, 343–44 (2004).



ports submitted to the SEC.<sup>85</sup> While this requirement goes above and beyond the current requirements of the duty to disclose material information to the PTO, adopting a similar duty for corporations with patent applications pending at the PTO could help mitigate the problem of promoting ignorance when a corporate assignee is prosecuting a patent application.

Adding to Rule 56 a clear indication that the duty to disclose material information applies to corporate assignees of patent applications would eliminate the temptation to keep individuals unessential to patent prosecution in the dark. This is because if the duty applies to the corporation as a whole, keeping specific individuals completely detached from patent prosecution would not decrease the likelihood of a finding of unenforceability during an infringement case after the granting of the patent. In fact, expanding the duty to apply to corporations would likely have the opposite effect by making it more dangerous for a corporation to purposefully bury its employees' heads in the sand.

Adding language to Rule 56 that creates a corporate duty to disclose, without more, would be extremely vague. For example, would the duty apply to all of Microsoft's nearly 93,000 employees during the patent prosecution process?<sup>86</sup> Borrowing ideas from Section 302 of Sarbanes-Oxley would help clarify how a corporation could satisfy its duty to disclose. Similar to Section 302, a corporation would need to have an employee certify all documents submitted to the PTO. This certification would guarantee that, at the time of submission, all information material to patentability is submitted and there are no omissions of known material information. While Sarbanes-Oxley generally requires the CEO or CFO to certify the financial statements,<sup>87</sup> this would not necessarily be the case for the corporate duty to disclose in a patent application. In smaller corporations, it could make sense for a CEO to be the certifying officer, but this might not be true for larger corporations in which the CEO does not deal with patents or patent applications in any substantive way. In such cases, a corporate assignee should be able to choose a management-level employee whose scope of employment deals

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85. For further discussion of the contours of Section 302 of the Act, see Colasacco, *supra* note 83, at 814-15.

86. Microsoft Corp., Annual Report (Form 10-K), Pt. I, 1A (July 30, 2009), available at <http://www.sec.gov/Archives/edgar/data/789019/000119312509158735/d10k.htm>.

87. See Matt A. Vega, *The Sarbanes-Oxley Act and the Culture of Bribery: Expanding the Scope of Private Whistleblower Suits to Overseas Employees*, 46 HARV. J. ON LEGIS. 425, 439 (2009).

with acquiring intellectual property. This would allow for flexibility in the logistics of assigning extra work to an appropriate employee while ensuring that certification is made by a management-level employee.

The second and more important addition to a corporate assignee's duty to disclose would require a management-level employee to certify that internal controls have been designed to ensure that information material to patentability known by employees becomes known to the certifying officer. These controls would not need to be so extensive as to reach every employee of the corporation, but only those likely to have or gain information related to the invention described in a patent application. For example, simple questionnaires could be drafted by patent counsel and distributed to employees working in technical fields related to the invention or to employees involved in marketing the invention. Because the point of internal controls would not be to investigate the knowledge of every employee but, rather, to ensure that employees likely to have or acquire information material to patentability report such information to an individual in contact with the PTO, the corporation could choose which specific control mechanisms to implement.

A likely argument against setting up this duty to establish internal controls of information is that it could be cost prohibitive. As the costs of applying for a patent increase, the incentive to obtain a patent decreases.<sup>88</sup> The actual costs to satisfy the duty, however, would likely be relatively insubstantial whether in a large or small corporation. A small corporation would probably have few individuals with material knowledge and thus require diversion of fewer resources to satisfy the internal control requirement. While larger corporations would have to devote more resources to this process, the total cost would be minimized because the corporation would have complete control over what methods are used to satisfy the internal controls, the controls would only apply to individuals likely to come across material information, and the duty would likely be satisfied with something as simple as questionnaires or surveys.

Adopting these standards alone, however, would leave a hole in the analysis of corporate inequitable conduct. If, for example, a cor-

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88. Once the cost of patent protection exceeds a certain value, it may become more valuable to commercialize an invention while attempting to keep all information related to the invention secret. While this may be the most valuable option for the inventor, the public loses an opportunity to gain the knowledge that the inventor would have otherwise disclosed in a patent.

poration clearly violated this newly implemented duty, there would still need to be a showing of intent for a finding of inequitable conduct. Because intent has thus far only been treated as applying to an individual, the next section of this Note examines how courts have approached corporate intent in other areas of law.

### B. Corporate Intent

In order to effectively analyze the failure of a corporation's duty to disclose, there must be a clear standard of intent. To determine exactly what standard is most appropriate, it is helpful to consider areas of corporate law with close parallels to inequitable conduct. One such area is securities fraud. Specifically, Rule 10b-5,<sup>89</sup> issued by the Securities and Exchange Commission under Section 10b<sup>90</sup> of the Securities and Exchange Act of 1934, makes it "unlawful for any person . . . to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made . . . not misleading."<sup>91</sup> While this rule applies to securities fraud, its essence is identical to the duty to disclose in patent law, as both prohibit either disclosing materially false information or omitting material information. Furthermore, when a party brings a civil securities fraud suit under Rule 10b-5, it must show that the defendant had the intent to deceive, manipulate, or defraud.<sup>92</sup>

When analyzing corporate intent in the civil liability context, courts have not adopted a single standard. Rather, the announced standards in the courts range from the total rejection of any collective corporate intent to a strong version of collective intent.<sup>93</sup> The courts that decline to use collective corporate intent do so in favor of a theory of respondeat superior, which holds the corporation liable for an employee's wrongful acts committed within the scope of the employment.<sup>94</sup> When using this standard, corporate intent can only

89. 17 C.F.R. § 240.10b-5 (2010).

90. 15 U.S.C. § 78j(b) (2006).

91. 17 C.F.R. § 240.10b-5(b) (2010).

92. See *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 185 (1976).

93. See Ashley S. Kircher, *Corporate Criminal Liability Versus Corporate Securities Fraud Liability: Analyzing the Divergence in Standards of Culpability*, 46 AM. CRIM. L. REV. 157, 162-66 (2009); see also *In re Tyson Foods, Inc.*, 155 F. App'x 53, 57 (3d Cir. 2005) (rejecting collective intent); *In re Worldcom, Inc. Sec. Litig.*, 352 F. Supp. 2d 472, 497 (S.D.N.Y. 2005) (using a strong collective intent standard).

94. See BLACK'S LAW DICTIONARY 1426 (9th ed. 2009) (defining respondeat superior). Generally, this approach applies to any agent of a corporation, whether he is at the top of the cor-

be found if an employee both makes the material misrepresentation and has the intent to deceive at the time of making the misrepresentation.<sup>95</sup> If both elements do not exist simultaneously, the court cannot impute intent to the corporation.

Other courts take a broader view of corporate intent in which the intent to deceive and the misrepresentation constituting the deception do not need to coincide in a single employee. Courts that apply this weak collective intent standard require only that a management-level corporate official have the intent to deceive, while the actual misrepresentations may be made by any employee.<sup>96</sup> For example, the Sixth Circuit has stated that “knowledge of a corporate officer or agent acting within the scope of [his] authority is attributable to the corporation.”<sup>97</sup> Under this standard, if an upper-level employee directed a lower-level employee to make a statement that was materially false, the court will find intent as long as the upper-level employee had the intent to deceive, even if the employee making the statement believed it to be true. The main criticism with this approach is that, without a clear and uniform way to determine who should be included under the umbrella term “management-level employee,” the standard may reach too far down the corporate ladder and impute intent to the corporation based on the intent of low-level employees.<sup>98</sup>

The strongest form of collective intent applied by the courts allows a finding of a corporation’s intent to deceive even if no single employee has the requisite intent.<sup>99</sup> Courts using this standard have allowed a plaintiff to allege that the corporate defendant had the requisite intent to deceive without requiring an allegation that any individual within the corporation had that same intent.<sup>100</sup> Propo-

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porate ladder or simply a low-level part-time employee. See Cristina De Maglie, *Models of Corporate Criminal Liability in Comparative Law*, 4 WASH. U. GLOB. STUD. L. REV. 547, 554 (2005).

95. See, e.g., *In re Apple Computer, Inc.*, 127 F. App’x 296, 303 (9th Cir. 2005).

96. See Kircher, *supra* note 93, at 163–64.

97. *City of Monroe Emps. Ret. Sys. v. Bridgestone Corp.*, 399 F.3d 651, 688 (6th Cir. 2005) (quoting 2 THOMAS LEE HAZEN, *TREATISE ON THE LAW OF SECURITIES REGULATION* § 12.8[4] (4th ed. 2002)).

98. See Kevin M. O’Riordan, Note, *Clear Support or Cause for Suspicion? A Critique of Collective Scierter in Securities Litigation*, 91 MINN. L. REV. 1596, 1622 (2007).

99. See Kircher, *supra* note 93, at 165.

100. See, e.g., *In re Worldcom, Inc. Sec. Litig.*, 352 F. Supp. 2d 472, 497 (S.D.N.Y. 2005) (“To carry their burden of showing that a corporate defendant acted with [intent to deceive], plaintiffs in securities fraud cases need not prove that any one individual employee of a corporate defendant also acted with [intent to deceive].”).

nents of this standard note that because corporate cultures have a very real effect on how employees act, a corporation should be treated as an individual for purposes of intent.<sup>101</sup> The main criticism of this standard is that it is overbroad in imposition of fraud liability.<sup>102</sup> Other criticisms are that the standard allows an end run around the heightened pleading standards of fraud and that frivolous assertions of fraud will naturally result.<sup>103</sup>

In conjunction with imposing a duty on the corporation to disclose material information, the standard by which to judge intent that makes the most sense is a weaker version of collective intent than that used to judge securities fraud. The problems disclosed earlier in this Note address situations where corporate officials intentionally promote purposeful ignorance within employee ranks. Rejecting any form of collective intent and using only respondeat superior liability would leave the intent standard unchanged since it requires both intent and action to occur within the same individual. This would not go far enough to reach a corporation that has an official create policies of purposeful ignorance without actually making materially false statements. At the other end of the spectrum, allowing strong collective intent would go too far. It seems certain that inequitable conduct has a heightened pleading requirement because of its nature as a charge of fraud, and, despite this, the affirmative defense is asserted too frequently.<sup>104</sup> Allowing a showing of intent where no individual actually had any intent to deceive could open the floodgates even further to assertions of inequitable conduct.

A weaker version of collective intent would be able to reach circumstances of purposeful ignorance while still ensuring a party cannot plead inequitable conduct without specificity. This weak collective intent would allow a party to show intent when an official is either maintaining a policy of purposeful ignorance or failing to maintain the internal information controls described earlier in this Note. The chief danger in allowing this level of collective intent is

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101. See Patricia S. Abril & Ann Morales Olazábal, *The Locus of Corporate Scierter*, 2006 COLUM. BUS. L. REV. 81, 164-65 (2006).

102. See O'Riordan, *supra* note 98.

103. See Kircher, *supra* note 93, at 166.

104. See, e.g., *Burlington Indus. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) (“[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds.”).

the uncertainty that could be introduced by the idea of the “management-level employee.” Uncertainty typically leads to extra cost in litigation, the patenting process as a whole, and thus innovation generally. This fear, although founded within the context of securities fraud litigation, would be mitigated by following the proposal in this Note. This is because the question of who constitutes a management-level employee would at least in part be answered through the corporation’s designation of its own employee to certify the establishment of internal controls and materiality of information. If a party brings an inequitable conduct defense under the circumstances of purposeful ignorance outlined here, it is likely that the individual charged with intent to deceive the PTO would be the same individual that certified submissions to the PTO. The uncertainty of who is management level and who is not, in this case, would be moot. While it is true that the certifying employee might not be the employee, or at least sole employee, who is asserted to have had the requisite intent to deceive, the certifying employee could serve as an indicator of what the company believes to be management level. Some uncertainty is inevitable in using the weak collective intent standard, but, considering the mitigating factors and the ultimate result of higher quality patents, it seems a small price to pay.

### C. Case Study

Facts within *Exergen Corp. v. Wal-Mart Stores, Inc.*<sup>105</sup> present a situation in which two separate arms of one entity seemingly represented two incompatible versions of one factual scenario to both the PTO and the public. As described in the introduction to this Note, Exergen, while prosecuting a patent application for a thermometer, filed an amendment arguing nonobviousness of the invention.<sup>106</sup> In the amendment, Exergen made the argument that “[w]hat had not been generally appreciated by those skilled in the art of temperature measurement was that the superficial temporal artery . . . provides an exceptionally reliable temperature reading.”<sup>107</sup> Exergen’s website, however, described the thermometer technology, explaining that “[t]he temporal artery area has a long history of temperature meas-

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105. 575 F.3d 1312 (Fed. Cir. 2009).

106. *See id.* at 1326.

107. *Id.*

urement, dating back to the early centuries before Christ with the first recorded references to palpation of the head for fever assessment."<sup>108</sup>

Relying on the current doctrine of inequitable conduct, the Federal Circuit concluded that the facts did not suffice to meet the pleading requirements, and the court denied any further inquiry into the matter.<sup>109</sup> Because the defendants could not name a specific individual who both communicated with the PTO and also knew of the information on the website, the defendants were unable to make any showing of inequitable conduct.<sup>110</sup>

Under the framework proposed in this Note, Exergen would have designated a management-level employee to establish proper information channels within the corporation to help ensure that any information material to the patentability of the thermometer known by employees would be channeled to that officer. That employee would have implemented a system to determine if other employees had information material to the thermometer patent. As Exergen is a relatively small corporation in terms of employees,<sup>111</sup> the officer would likely have created simple surveys for managers to distribute to the lower-level employees. Since information on the website was directly related to the technology that was the subject of the patent application, it is highly likely that the officer would have become aware of that information. The certifying officer, likely to be the same officer responsible for internal controls, would then determine whether or not the website information was material to the patentability of the thermometer. If the information was material, there would be a duty to submit it to the PTO.

For a defendant to plead inequitable conduct in a later infringement proceeding, the defendant would have to show not only that the information was material to patentability but also that there was intent to deceive. Under the framework proposed here, this intent could be shown through either a single individual both having the intent to deceive and making the material misrepresentation, or a systemic failure of internal controls that otherwise would have caused Exergen to discover the material information. Importantly,

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108. *Id.*

109. *See id.* at 1329.

110. *See id.*

111. As of 2001, Exergen had approximately 125 employees. Lori Valigra, *Exergen Temporal Artery Thermometer Gets Boost from Hospital Study*, LOCALBUSINESS.COM (Mar. 22, 2001, 3:10 PM), <http://www.exergen.com/medical/newsarch/localbus03222001.htm>.

all documentation resulting from internal control processes described above would help Exergen in swiftly dealing with any frivolous inequitable conduct decision.

#### CONCLUSION

The current inequitable conduct doctrine fails to adequately account for the significant corporate presence in patent prosecution. By requiring corporate assignees to patent applications to search within their own walls for information material to patentability, the PTO will gain more complete access to the information necessary to decide whether an invention is patentable. Drawing from the Sarbanes-Oxley Act of 2002, the PTO should require corporations to direct officers to create internal information controls and certify communications with the PTO. Courts should also take a cue from securities fraud law and find corporate intent when a management-level employee has the intent to deceive the PTO, even if he is not the person actually misrepresenting material information to the PTO. In addition to helping increase the quality of patents and efficiency of the PTO, adopting this framework would go far to eliminate the unsettling fact scenarios, like *Exergen's*, where different arms of a corporation tell the PTO one set of facts while presenting another to the public, and escape even an initial inquiry into the matter because of patent law's narrow focus on individual actors. Without any sign of corporations decreasing their involvement in the process of obtaining patents, this is an issue that is likely to maintain relevance until either the patent laws change or the courts shift their interpretations of the patent laws to address the reality of corporate participation in the patent acquisition process.