

GILEAD SCIENCES, INC. v. MERCK & CO., INC., Appeal No. 2016-2303; 2016-2615 (Fed. Cir. April 25, 2018). Before Taranto, Clevenger and Chen. Appealed from N.D. Cal. (Judge Freeman).

Background:

Merck held two patents for a Hepatitis C treatment. Gilead sought a declaratory judgment that Merck's patents were invalid. Merck counterclaimed against Gilead for infringement of the two patents. Gilead stipulated to infringement based upon the district court's claim construction, but argued that the patents were invalid under §112(a).

Gilead also argued that because Merck had unclean hands by misrepresenting the role of its prosecution counsel with respect to both patents, any infringement finding would be unenforceable. The district court found infringement, but that Merck had unclean hands. Thus, the district court held that the infringement finding was unenforceable.

Issue/Holding:

Was the district court's finding that the infringement of Merck's patents was unenforceable due to the defense of unclean hands proper? Yes, affirmed.

Discussion:

Gilead argued that Merck acted with unclean hands by having both pre-litigation business misconduct and litigation misconduct. The court indicated that unclean hands can be found when "misconduct" of a party seeking relief "has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation," i.e., "for such violations of conscience as in some measure affect the equitable relationship between the parties in respect of something brought before the court."

The actions by Merck considered to fall within the types of misconduct that led to the unclean hands decision included:

(1) A patent attorney working to help prosecute the first of the Merck patents participating, at Merck's behest, in a conference call with Pharmasset (a company later to be acquired by Gilead), even when Pharmasset asked for confirmation that the call participants had no relationship to Merck's patenting efforts, violating a "firewall" understanding between the two companies relating to prosecution of patents. The Merck attorney's knowledge led to the filing of the narrowed claims, which lowered certain invalidity risks and expedited issuance.

(2) The same patent attorney giving testimony that he did not participate in the conference call, and making intentionally false statements regarding the role that one of Pharmasset's patent publications had in the decision to amend Merck's patent claims.

The Federal Circuit found no reversible error in the district court's balancing of equities, and affirmed the decision that Merck's misconduct afforded Gilead the defense of unclean hands. The court noted that even though the misconduct was most directly related to the first patent, it also affected the second patent because the second patent was connected closely enough to the first misconduct, and because the second misconduct "infected this entire case, covering both patents-in-suit."