



Merck Deprived of \$200 Million Patent Infringement Verdict Following Finding of Unclean Hands

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Gilead's unclean hands defense stemmed from a due diligence call between Merck employees and Pharmasset, Gilead's predecessor-in-interest, which occurred while the patent application giving rise to the patents-in-suit was pending in the Patent Office. The due diligence call related to the structure of the compound Pharmasset had identified to treat HCV. According to the court's findings, the call was conducted pursuant to a "firewall," and none of the Merck representatives on the call should have been involved in Merck's own HCV program. Despite the firewall, Merck's in-house patent prosecutor, who was active in prosecuting its HCV patent docket, participated in the call and, according to the court's findings, learned the structure of the relevant HCV compound. Following the due diligence call, Merck's patent prosecution counsel continued to prosecute Merck's HCV patent applications and submitted narrower claims that, according to the court, would not have been written but for his participation in the firewalled due diligence call.

In a 65-page order, the court concluded that "Merck is guilty of unclean hands and forfeits its right to prosecute [the] action against Gilead." In its Conclusions of Law, the Court first analyzed Supreme Court and Federal Circuit precedent and concluded that unclean hands remains a viable doctrine. Next, the court examined cases applying the doctrine of unclean hands and found support for its application in "situations involving lying under oath, unethical business conduct, or litigation misconduct." Applying the law to its Findings of Fact, the court concluded that Merck's conduct involved all three situations. Specifically, the court concluded that Merck's in-house patent prosecutor "knowingly misled Pharmasset regarding his status as being within the firewall," and that "Merck approved this misconduct." The court

further concluded that Merck used the information obtained on the call “to benefit its own prosecution” of the patents-in-suit. The court also identified “additional reprehensible acts by Merck and [its in-house patent prosecutor] amounting to litigation misconduct.” Specifically, the court analyzed the deposition and trial testimony of Merck’s in-house patent attorney and concluded that he presented “inconsistent, contradictory, and untruthful testimony, and that the testimony was sponsored by Merck.” Before reaching its conclusion, the court looked at the balance of equities and concluded that “Merck’s persistent misconduct involving repeated fabricated testimony and improper business conduct outweigh its right to maintain its suit against Gilead.” Based on its findings and conclusions, the court ordered that Merck and the other declaratory judgment defendants are barred from maintaining their counterclaims against Gilead, and entered judgment accordingly.

Gilead Sciences, Inc., v. Merck & Co., Inc., et al., 13-cv-04057 (N.D. Cal. June 6, 2016) (Freeman, B.).

Categories

Infringement

Northern District of California

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