UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

In the Matter of:	
CERTAIN UV CURABLE COATINGS FOR OPTICAL FIBERS, COATED OPTICAL FIBERS, AND PRODUCTS CONTAINING SAME	**Investigation No. 337-TA-1031**

ORDER NO. 9: **GRANTING COMPLAINANTS' MOTION TO STRIKE RESPONDENT MOMENTIVE UV COATINGS (SHANGHAI) CO., LTD.'S AFFIRMATIVE DEFENSE OF INEQUITABLE CONDUCT**

(March 27, 2017)

I. BACKGROUND

Pursuant to Commission Rule 210.13, on March 7, 2017, Complainants DSM Desotech, Inc. and DSM IP Assets B.V. (collectively, "Complainants" or "DSM") moved to strike Respondent Momentive UV Coatings (Shanghai) Co., Ltd.'s ("MUV") affirmative defense of inequitable conduct ("Motion;" "Memorandum"). (Mot. Docket No. 1031-003; Mot. at 1.) DSM certifies pursuant to Ground Rule 2.2 that it attempted to resolve its issues with Commission Investigative Staff ("Staff," collectively, with DSM and MUV, "Parties") and MUV, but was unable to do so. (Mot. at 2.). On March 17, 2017, Respondent Momentive UV Coatings (Shanghai) Co., Ltd. ("MUV") filed its opposition to Complainants' Motion ("Opposition"). (Doc. ID No. 605839 (Mar. 17, 2017.)). On March 17, 2017, Staff filed its response ("Staff Response") in which it supports DSM's Motion. (Doc. ID No. 605816 (Mar. 17, 2017).). For the reasons discussed below, DSM's Motion is *granted.*

II. SELECTIVE FACTS

The gravamen of MUV's "Sixth Additional Defense" in its response ("Response") to the Complaint and Notice of Investigation ("NOI") is that DSM allegedly committed inequitable conduct during two (2) *inter-partes* review ("IPR") proceedings ("IPRs") that were instituted in 2012 by non-party, Corning Incorporated ("Corning"), challenging certain claims of two (2) of DSM's patents in this Investigation: U.S. Patent Nos. 6,961,508 ("'508 patent") and 7,171,103 ("'103 patent"). (*See* Doc. ID 599113 (Resp.) at 20-21, ¶¶ 14-15 (Dec. 27, 2016).). MUV used the information from the Patent Trial and Appeal Board's ("PTAB") Final Decision in the IPRs ("PTAB Final Decision"), and the testing data that DSM had submitted to the PTAB to allege the "material misrepresentations" that form part of MUV's Response. In pertinent part, MUV's Sixth Additional Defense states:

> On information and belief, DSM made material misrepresentations to the Patent Trial and Appeal Board ("PTAB") with intent to deceive the PTAB. Those material misrepresentations included misrepresenting how to properly measure the Cure Dose Limitation of a coating as required by the '508 and '103 Patents and further included the submission of testing data performed on a sample that was approximately twice the thickness of the samples identified in the '508 and '103 Patents. Using a thicker sample had the effect of artificially slowing the cure speed of the prior art sample relied on by DSM during the *inter partes* review. On information and belief, DSM and its expert also intentionally misrepresented the procedures used by DSM to properly generate a cure dose curve from the data points required by the '508 and '103 Patents. But for DSM and its expert's material misrepresentations, the PTAB would have found the '508 and '103 Patents invalid. Therefore, at least the '508 and '103 Patents are unenforceable because, on information and belief, DSM acted in bad faith and with deceptive intent by falsely misrepresenting to the PTAB data and information relating to the Cure Dose Limitation required by the '508 and '103 Patents.

(*Id.* at ¶ 15.).

As noted above, the two (2) IPRs that MUV references in its Response occurred in 2012. (*See* Mot. at Ex. 1, IPR No. 2013-00043 and 00044, Paper No. 95, May 1, 2014 ("PTAB Final Decision").). The PTAB Final Decision that issued on May 1, 2014 addressed whether two (2)

of DSM's prior art coating compositions met a claim limitation concerning the dose of radiation needed to cure 95% of the compositions. (*See* Mem. at 2-3.). Both Corning and DSM submitted testing to the PTAB. (*Id.* at 2-3.). The Parties here explicitly or implicitly agree that if Corning had proven that the two (2) patents at issue met the claim limitations of the prior art, the '508 and '103 patents would have been invalidated. (Mem. at 3; Staff Resp. at 3; Opp'n at 2.).

The PTAB Final Decision did not invalidate the patents. (Mem. at 2-3 (citing PTAB Final Decision at 28).). Instead, the PTAB Final Decision upheld the validity of the '508 and '103 patent claims at issue based upon its finding that *Corning* had failed to *meet its burden* to prove that the compositions disclosed in a prior art patent reference (WO 98/21157 to Szum *et al.*) met the claim limitation of "a cure dose to attain 95% of the maximum attainable modulus of less than 0.65 J/cm2" ("Cure Dose Limitation"). (*Id.* at 22; *see also* Staff Resp. at 2 (citing Mem., Ex. 1 at 4; Mem., Ex. 2 at 5).).

In its effort to challenge Corning's Petition at the PTAB, DSM, through an expert, Dr. Christopher N. Bowman, replicated Corning's testing data but reached a different result. (Mem., Ex. 1 at 19.). Without getting into unnecessary detail with respect the detailed testing data that PTAB considered, according to Dr. Bowman's report to the PTAB, he found what were described as "low R^2 values" that indicated "some type of systemic or experimental error" in Corning's data. (*Id.* at 19.). The PTAB found Dr. Bowman's testing data concerning Corning's cure dose proofs to be credible, "detailed[,] and supported by underlying data." (Mem., Ex. 1 at 23; Ex. 2 at 4.).

With respect to its own cure dose proofs, Corning counter-argued that Dr. Bowman's curve fitting analysis was incorrect because it did not include the origin point (0, 0) as an experimental data point. (Mem., Ex. 1 at 21-23.). However, the PTAB found that the dose-

modulus curve fitting should be done without the inclusion of the origin (0, 0) as an additional data point. (*See* Mem., Ex. 1 at 24.). As explained in the PTAB Final Decision, the '103 and '508 patents "do not indicate that the data points are to include the origin (0, 0 data point)," and Corning's expert "Reichmanis provide[d] no credible explanation as to why the origin should be included in the face of the explicit disclosure of the '103 patent and the '508 patent." (*Id.*).

The PTAB Final Decision rejected Corning's own expert's analysis because the Petition that Corning submitted failed to include test data, laboratory notes and similar data to support its claim. (*Id.* at 12.). Even after Corning submitted DSM's curve-fitting analysis to another scientist (Dr. Elsa Reichmanis) who standardized the testing that Corning conducted and found R^2 values similar to those DSM found by eliminating DSM's origin point of zero, according to the PTAB decision, Dr. Reichmanis offered "no credible underlying data to support her testimony." (*Id.* at 21.).

Five (5) judges at the PTAB who issued the Final Decision found that both DSM's Dr. Bowman and Corning's Dr. Reichmanis "appear to be qualified scientists." (*Id.* at 23; *see also id.* at 25.). The PTAB Final Decision states explicitly: "[W]e have no reason to question the good faith of either witness and we believe they have testified faithfully to their respective opinions." (*Id.*).

To the extent that PTAB found that there was a conflict in the cure dose proofs as submitted by the two scientists, they credited DSM's Dr. Bowman's testimony over Corning's Dr. Reichmanis.' (*Id.*). Nonetheless, in the final analysis, the PTAB chose *not* to give weight to DSM's testing results in its decision whether to uphold the patent claims at issue because DSM was unable to show the claim limits at issue *were not* inherent. (*Id.* at 27.). But more importantly, the PTAB noted that Corning had failed to sustain *its burden of proof* to establish

that the prior art inherently describes a 95% limitation. (*Id.* at 27 (citing *Yamaha Int'l Corp. v. Hoshino Gakki Co.*, 840 F.2d 1572, 1580 n.11 (Fed. Cir. 1988) (the party with the burden of proof loses).

To restate: in its Sixth Additional Defense, MUV uses the PTAB Final Decision and the testing that DSM conducted and presented to PTAB to allege that DSM deliberately misrepresented the testing even though five (5) PTAB judges found that Corning, the Petitioner, had not sustained *its* burden of proof, and even though five (5) PTAB judges who critically evaluated all of the testing data explicitly found the scientists had acted in good faith. (Mem., Ex. 1 at 25, 27.).

III. LEGAL STANDARD

Under Section 337(c), "[a]ll legal and equitable defenses may be presented in all cases." 19 U.S.C. § 1377(c). Inequitable conduct is a judicially-created equitable defense to patent infringement. *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988). When a court determines that inequitable conduct has occurred as to one or more patents, the entire patent is rendered unenforceable. *Id.*; *see also Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285 (Fed. Cir. 2011) (en banc). To establish inequitable conduct, an accused infringer must prove by clear and convincing evidence: (1) that there was a specific intent on the part of the patentee to deceive the U.S. Patent and Trademark Office; and (2) the existence of "but-for materiality" where a patent claim would not have issued but for the misrepresentation or omission. *Therasense*, 649 F.3d at 1290-91. Both elements, materiality and intent, must be proven separately. *Id.* at 1287.

With respect to pleadings, Commission Rule 210.13(b) requires that "[a]ffirmative defenses shall be pleaded with as much specificity as possible in the response." 19 C.F.R.

§ 210.13(b). With respect to affirmative defenses of invalidity or unenforceability, Commission Rule 210.13(b) encourages respondents to make a showing of "the basis for such assertion, including, when prior art is relied on, a showing of how the prior art renders each claim invalid or unenforceable and a copy of such prior art." 19 C.F.R. § 210.13(b)(3). The Commission Rule also provides that "the presiding administrative law judge may waive any of the substantive requirements imposed under this paragraph or may impose additional requirements." *Id.*

IV. DISCUSSION

In this case, Staff and Complainant argue for an Order that applies the "heightened pleading" standards of Fed. R. Civ. P. 9(b) that the Federal Circuit applies to the defense of "inequitable conduct." (*See* Staff Resp. at 5-6; Mem. at 5; *but see, contra, Certain Integrated Circuits, Chipsets, and Products Containing Same Including Televisions, Media Players and Cameras*, Inv. No. 337-TA-709, Order No. 32 at 3 (Dec. 9, 2010) (Luckern, J.) ("*Certain Integrated Circuits*").). The seminal case that explicates the Rule 9(b) pleading standard is the Federal Circuit's 2009 opinion, *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009). In *Exergen*, the Federal Circuit held that "to plead the 'circumstances' of inequitable conduct with the requisite 'particularity' under Rule 9(b), the pleading must identify the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO." *Id.* at 1328. (*See* Staff Resp. at 6 (citing *Exergen*, 575 F.3d at 1328).).

Staff, DSM and MUV all note that administrative law judges at the USITC have been split in their application of the Federal Circuit's heightened *Exergen* standard, with the most recent ruling (Judge Lord) applying *Exergen*. (Mem at 5; Opp'n at 8-9; Staff Resp. at 5 (citing *Certain Krill Oil Prods. and Krill Meal for Production of Krill Oil Prods.*, Inv. No. 337-TA-1019, Order No. 8 at 2-7 (Feb. 7, 2017) (Lord, J.) (striking affirmative defense of inequitable

conduct for failure to meet the Federal Circuit's *Exergen* standards); *Certain Digital Models, Digital Data, and Treatment Plans for Use In Making Incremental Dental Positioning Adjustment Appliances, the Appliances Made Therefrom, and Methods of Making Same*, 337-TA-833, Order No. 17 at 8-9 (Jan. 2, 2013) (Rogers, J.) (holding "in cases in which inequitable conduct is raised as an affirmative defense in an ITC proceeding, it is appropriate to require a level of pleading equal to the level required by Fed. R. Civ. P. 9(b)"); *Certain Kinesiotherapy Devices and Components Thereof*, Inv. No. 337-TA-823, Order No. 29 at 1 (July 24, 2012) (Pender, J.) (denying motion to amend responses to include an affirmative defense of inequitable conduct where the defense did not meet the Federal Circuit's *Exergen* standards); *Certain Personal Data and Mobile Commc'ns Devices and Related Software*, Inv. No. 337-TA-710, Order No. 91 at 2, 4 (Feb. 17, 2011) (Charneski, J.) (denying motion to amend response to assert inequitable conduct defense because proposed amendment "does not meet the heightened pleading standard for inequitable conduct under *Exergen*"); *contra Certain Integrated Circuits*, *supra*, (Luckern, J.) ("it is largely within the administrative law judge's discretion to determine whether the pleadings . . . are adequate").

Both Staff and DSM argue that MUV's affirmative defense is deficient for a number of reasons, applying both the substantive requirements for inequitable conduct, as well as the pleading standards of *Exergen*. (Staff Resp. at 7; Mem. at 7.). DSM notes that Federal Rule 9(b) was enacted both to "ensure adequate notice of defenses, but also to deter the parties from asserting claims as a pretext for discovery[.]" (Mem. at 5 (citing *Certain Bulk Welding Wire Containers and Components Thereof and Welding Wire*, 337-TA-686, Order No. 21 at 3-4 (Dec. 7, 2009).

DSM's argument is also forcefully directed at the legal standard that requires a finding of "but for materiality" as one of the two elements of an inequitable conduct defense. (Mem. at 6.). DSM argues that "but for materiality" does not exist in this case because the PTAB Final Decision made it clear that DSM's testing was not the material factor in its decision. (*Id.* at 7.). Staff agrees. (Staff Resp. at 4.). DSM notes that: "[I]n assessing the materiality of a withheld reference, the court must determine whether the PTO would have allowed the claims if it had been aware of the undisclosed reference." (Mem. at 6 (quoting *Therasense*, 649 F.3d at 1291).). Without proof of the "but for materiality," an inequitable conduct claim fails as a matter of law. (Staff Resp. at 4, 5, 8.). DSM also notes that MUV has not pleaded with sufficient particularity facts to support the required element of intent. (Mem. at 8.).

In that same vein, Staff notes that MUV's pleading generally does little more than allege "by information and belief" that DSM made "material representations" in the IPR proceedings without explicitly identifying which testing constitutes a material misrepresentation that was at the heart of the dispute that the PTAB resolved. (Staff Resp. at 7.). Staff suggests that there is no indication which of DSM's testing constituted "material" misrepresentation, or that the PTAB would have reached a different result. (*Id.* at 7-8.). Accordingly, Staff says that MUV's pleading is "generalized and non-specific" and that it is "insufficient." (*Id.* at 8 (citing *Central Admixture Pharm. Servs., Inc. v. Adv. Cardiac Sols., P.C.*, 482 F.3d 1347, 1356-57 (Fed. Cir. 2003).). With respect to the *Exergen* standard, Staff says that MUV's pleading fails to name the individuals who were responsible for the alleged misrepresentation. (*Id.* at 8-9. (citations omitted).). In sum, Staff argues that there is ample cause for striking MUV's affirmative defense of inequitable conduct as it is currently pled. (*Id.* at 9.).

MUV argues that its pleading sufficiently alleges "the who, what, when, where, and how

of DSM's and its expert's (i.e., Dr. Bowman's) inequitable conduct," thereby clearly, even if implicitly, initially arguing that its pleading meets even the *Exergen* heightened pleading standard. (Opp'n at 1; *see also id.* at 10.). MUV notes that DSM concedes that MUV's pleading identifies "DSM and its expert," and that since the IPRs clearly refer to Dr. Bowman as DSM's expert (and he was the only expert who represented DSM in the IPRs), his identification in MUV's pleading was sufficient. (*Id.* at 14 (citing Mem. at 7-8, 12).).

However, MUV opposes the application of the *Exergen* standard arguing that the Federal Rules of Civil Procedure apply only to district court proceedings, but not to the Commission, "which has its own rules of practice and procedure. (*Id.* at 12 (citing Fed. R. Civ. P. 1; 19 C.F.R. §§ 200 et. seq.; *id.* at 201.2(g)).). MUV argues that Commission Rule 210.13(b) adequately addresses the pleading in this instance because MUV has provided specific facts based upon what it knew at the time it plead its defense. (*Id.*). Moreover, MUV notes that it quickly sought additional facts through Interrogatories posed to DSM. (*Id.* at 15.). Finally, MUV also provides case law that supports the proposition that striking an affirmative defense of inequitable conduct is disfavored. (*Id.* at 8-9 (cited cases omitted).).

V. FINDINGS AND CONCLUSION

In this case, DSM's inequitable conduct defense is pleaded sufficiently, consistent with Commission Rule 210.13(b). *Certain Integrated Circuits, supra.* MUV's pleading identifies the actors involved in the alleged mischaracterization even if not by name, although it is clear who the expert is since DSM had only one expert, Dr. Bowman, who provided testing to the PTAB for the patent claims at issue. DSM also outlines the scope, if not all the details of the alleged misrepresentation; when the alleged misrepresentation occurred; and where, or the circumstances under which the alleged misrepresentation allegedly occurred. (Resp. at ¶¶ 14-15.). I am

declining to apply the *Exergen* standard in this instance. The Commission's Rule does not require a respondent to provide a level of specificity that, in many circumstances, may not be available at the time a pleading is filed. Commission Rule 201.13(b) gives some discretion to the administrative law judges to decide whether a pleading is sufficient. In this case, MUV's Response, and more specifically its Sixth Affirmative Defense, is sufficient. It identifies many of the facts, if not all. MUV's Response certainly was sufficiently specific for the Parties to rebut it with many of the same facts and documents from which MUV fashioned its inequitable conduct defense.

While it may be atypical at this stage in a proceeding to make a finding of fact, all Parties have relied upon the PTAB Final Decision and its factual findings to make their arguments. (*See* Mem. at 2-3 (citing PTAB Final Decision at Ex. 1); Staff Resp. at 2; Opp'n at 2 (citing Mem., Ex. 1 at 5-6).). To prove a defense of inequitable conduct, materiality is defined as "what a reasonable examiner would have considered important in deciding whether to allow a patent application." *Eisai Co. Ltd. v. Dr. Reddy's Labs., Ltd.*, 533 F.3d 1353, 1359-60 (Fed. Cir. 2008) (quoting *Innogenetics, N.V. v. Abbot Labs.*, 512 F.3d 1363, 1378 (Fed. Cir. 2008)). At the PTAB IPR level of review, Corning, the Petitioner, had the burden to prove the unenforceability of the patents at issue but failed. To satisfy the "intent" prong for unenforceability of a patent, the "involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive." *Id.* at 1360 (quoting *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc) (other citations omitted).). As the *Eisai* decision notes, "this is a high bar." *Id.*

In this case, five (5) PTAB judges with an uncommon quantum of technical and legal expertise among them evaluated the evidence that both Corning's experts and DSM's Dr.

Bowman presented and found that Corning had not proven its case regardless of the evidence/testing that DSM's expert submitted. (Mem. at 2-3 (citing PTAB Final Decision at Ex. 1.). Moreover, the PTAB denied Corning's requests for re-hearing, a decision that was reinforced substantively when the U.S. Court of Appeals for the Federal Circuit issued a summary decision affirming the PTAB's Final Decision. (Staff Resp. at 4 (citing Mem. at Ex. 3; *Corning Inv. v. DSM IP Assets B.V.*, 616 F. App'x 421 (Fed. Cir. 2015).).

While the issue of "intent" may not be ripe for determination at this time, the PTAB Final Decision did reach certain conclusions with respect to the scientists' evidence and opinions by explicitly by stating they were given "in good faith." (Mem., Ex. 1 at 23, 25.). Those PTAB observations and findings of fact, made almost three (3) years ago, would be difficult for MUV to overcome now. However, the issue of materiality is even more difficult for MUV; it is dispositive. The PTAB Final Decision states that DSM's Dr. Bowman's evidence was *not* material to the PTAB's decision. (*Id.*). In its decision denying Corning's Revised Requests for Rehearing ("PTAB's Rehearing Decision"), the PTAB explicitly states: "Corning's failure to prove its case was in no way dependent on any faulty testing done by DSM." (Mem., Ex. 2 at 5.). In other words, even at this early stage, MUV's "materiality" argument is counter-factual, or unsupported by the very facts from the PTAB testing and Final Decision upon which MUV relies. In sum, even if MUV could produce additional evidence of an "intent to deceive" by DSM, it would be unable to prove the "but for materiality" prong of its defense of inequitable conduct based upon the PTAB's Final Decision and its finding of facts.

VI. CONCLUSION

For the foregoing reasons, MUV's Sixth Additional Defense of inequitable conduct is

stricken. Therefore, DSM's Motion, Motion Docket No. 031-003, is *granted.*

SO ORDERED.

MaryJoan McNamara
Administrative Law Judge

CERTAIN UV CURABLE COATING FOR OPTICAL FIBERS, COATED OPTIONAL FIBERS, AND PRODUCTS CONTAINING SAME **Inv. No. 337-TA-1031**

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, Claire K. Comfort, Esq., and the following parties as indicated, on **April 5, 2017**.

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