

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

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In the Matter of

**CERTAIN BULK WELDING WIRE
CONTAINERS AND COMPONENTS
THEREOF AND WELDING WIRE**

Inv. No. 337-TA-686

**ORDER NO. 21: GRANTING-IN-PART & DENYING-IN-PART COMPLAINANTS'
MOTION TO STRIKE RESPONDENT SIDERGAS SpA'S
SEVENTH AFFIRMATIVE DEFENSE**

(December 7, 2009)

On November 23, 2009, complainants The Lincoln Electric Company and Lincoln Global, Inc. (collectively "Lincoln") filed a motion to strike the Seventh Affirmative Defense of respondent Sidergas SpA ("Sidergas"). (Motion Docket No. 686-017.) On December 3, 2009, Sidergas filed a response opposing the motion. On December 3, 2009, the Commission Investigative Staff ("Staff") filed a response opposing the motion.

Lincoln claims that Sidergas's Seventh Affirmative Defense in its response to the amended complaint is inadequate under the Federal Circuit's recent decision in *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009). Specifically, Lincoln claims that the defense, which relates to alleged inequitable conduct, fails to include sufficient detail to meet the heightened pleading standard of Fed. R. Civ. P. 9(b).

Sidergas opposes the motion, arguing that its inequitable conduct pleading is sufficiently detailed under the standard discussed in *Exergen*. Sidergas further argues that Lincoln's motion is overly broad, as the Seventh Affirmative Defense includes claims of (1) inequitable conduct; (2) patent misuse; (3) fraud on the Patent Office; and (4) infectious unenforceability. Sidergas

claims that it would be improper to strike the portions of the defense that are not even addressed by Lincoln in its motion. Sidergas states that if its inequitable conduct pleading is found to be deficient, it should be afforded the opportunity to amend its response to add sufficient detail.

Staff opposes the motion. Staff states that Lincoln focuses on the incorrect standard, as Commission Rule 210.13(b) is the controlling standard for affirmative defenses. Staff states that because Lincoln failed to demonstrate that Sidergas's inequitable conduct defense does not comply with Commission Rule 210.13(b), the motion should be denied. Staff states that to the extent that Lincoln correctly noted deficiencies in Sidergas's inequitable conduct pleading, Sidergas should be given an opportunity to amend its response. Staff suggests a deadline of December 21, 2009 for Sidergas to file an amended response.

The first issue to address is the pleading standard at the Commission regarding an inequitable conduct affirmative defense.¹ Commission Rule 210.13(b) states that “[a]ffirmative defenses shall be pleaded with as much specificity as possible in the response.” The rule further provides that the respondent is encouraged to make the following showing when appropriate:

If the claims of any involved U.S. patent are asserted to be invalid or unenforceable, 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. For good cause, the presiding administrative law judge may waive any of the substantive requirements imposed under this paragraph or may impose additional requirements.

19 CFR § 210.13(b)(3).

Rule 9(b) of the Federal Rules of Civil Procedure states that “[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake. Malice, intent, knowledge, and other conditions of a person's mind may be alleged generally.” The Federal Circuit has held that an inequitable conduct pleading in district court must comply

¹ For reference, I recently addressed the same issue in another investigation. *See Certain Electronic Devices, Including Handheld Wireless Communications Devices*, Inv. Nos. 337-TA-673/667, Order No. 39C (Sept. 17, 2009).

with Rule 9(b). *Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003). In discussing the pleading standard, the Federal Circuit explained that “[a] pleading that simply avers the substantive elements of inequitable conduct, without setting forth the particularized factual bases for the allegation, does not satisfy Rule 9(b).” *Exergen*, 575 F.3d at 1326-1327. The court 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.

Commission Rule 210.13(b) clearly provides a pleading standard for affirmative defenses. With respect to an unenforceability defense, Commission Rule 210.13(b) does not speak to the level of specificity required by Fed. R. Civ. P. 9(b). Commission Rule 210.13(b)(3) states, however, that “[f]or good cause, the presiding administrative law judge...may impose additional requirements” when a party is pleading unenforceability of the patent as an affirmative defense.

In my view, in cases in which inequitable conduct is raised as an affirmative defense, it is appropriate to require a level of pleading equal to the level required by Fed. R. Civ. P. 9(b). The Federal Circuit noted in 1988 that inequitable conduct has been pleaded in “almost every major patent case” with a small percentage of success. *Burlington Indus., Inc., v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988). The court commented on the “not inconsequential” nature of the charges and their impact upon the bar. *Id.* The purposes of Rule 9(b) include: providing an opposing party with adequate notice, deterring a party from asserting claims as a pretext for the discovery of unknown wrongs, and protecting those whose reputation would be harmed as a result of being subject to fraud charges. *See, e.g., Kearns v. Ford Motor Co.*, 567 F.3d 1120,

1125 (9th Cir. 2009) (listing purposes behind Rule 9(b)); *Harrison v. Westinghouse Savannah River Co.*, 176 F.3d 776, 784 (4th Cir. 1999) (stating the four purposes behind Rule 9(b)); *Michaels Bldg. Co. v. Ameritrust Co., N.A.*, 848 F.2d 674, 679 (6th Cir. 1988) (noting that “the purpose undergirding the particularity requirement of Rule 9(b) is to provide a defendant fair notice of the substance of a plaintiff’s claim[.]”)

The foregoing purposes of Rule 9(b) are equally important in an ITC hearing, and inequitable conduct should be plead with the same high standard before the Commission as the Federal Circuit requires in the district courts. Therefore, I find that there is good cause to require the heightened pleading requirement of Fed. R. Civ. P. 9(b) when a respondent pleads an affirmative defense of unenforceability based upon inequitable conduct.

I turn to Sidergas’s current pleading. I find that Sidergas’s inequitable conduct defense contained in its November 16, 2009 response fails to meet the standard described in *Exergen*. Sidergas’s inequitable conduct claims relate to two pieces of prior art that it alleges were withheld during the prosecution of the ‘864 patent: the Praxair² brochure and the C.I.F.E. brochure. (Sidergas’s Resp. at ¶¶ 116-118.) In its response, at paragraph 116, Sidergas alleges that the Praxair brochure was disclosed during the prosecution of U.S. Patent No. 6,648,141 (“the ‘141 patent”) but not disclosed during the prosecution of U.S. Patent No. 6,708,864 (“the ‘864 patent”).

Sidergas identifies Robert Vickers (the prosecuting attorney) as the party involved in the alleged inequitable conduct. (Sidergas’s Resp. at ¶ 116.) Sidergas alleges that Mr. Vickers prosecuted both the ‘141 patent and the ‘864 patent. (*Id.* at ¶ 116.) Sidergas alleges that Mr. Vickers disclosed the Praxair brochure during the prosecution of the ‘141 patent but failed to

² Earlier in Sidergas’s response it refers to this same brochure as the ProStar brochure. (*See, e.g.*, Sidergas Resp. at ¶ 91.)

disclose it during the prosecution of the '864 patent. (*Id.*) Thus, Sidergas identifies Mr. Vickers as the person involved with the '864 patent prosecution who had the specific knowledge of the Praxair brochure. I find that, with regard to the Praxair brochure, Sidergas provided adequate detail on this point.

With regard to the C.I.F.E. brochure, Sidergas's allegations are insufficient. Sidergas states:

Lincoln purchased or acquired C.I.F.E. in 2000. Lincoln is chargeable with actual or constructive knowledge of the fact that welding wire with an S-shape was known prior to the filing date of the '864 Patent; C.I.F.E. was, at the time of filing of the '864 Patent, Lincoln's own company. In addition, this very brochure with the same pictures was filed together with an IDS in the examination proceedings of the '141 patent (please see LEITC000545 to LEITC00547).

(Sidergas's Resp. at ¶ 118.)

Sidergas's first claim is that because Lincoln purchased C.I.F.E., corporate knowledge of the brochure can be imputed to Lincoln. This allegation is insufficient, because it does not identify any individual involved in the prosecution who allegedly had specific knowledge of the C.I.F.E. brochure and failed to disclose it during prosecution.

While Sidergas next claims disclosure of the C.I.F.E. brochure during the prosecution of the '141 patent, it does not does not allege that Mr. Vickers, in prosecuting the '141 patent, disclosed the C.I.F.E. brochure. Sidergas's response, therefore, does not adequately plead that Mr. Vickers was the individual with specific knowledge of the C.I.F.E. brochure. Sidergas only makes a vague reference to an IDS filed in the '141 patent prosecution and cites to three pages of a document production that were not included in Sidergas's response. This vague statement is insufficient to put Lincoln on notice that Sidergas believes that Mr. Vickers had actual knowledge of the C.I.F.E. brochure while prosecuting the '864 patent.

In addition, I find that Sidergas's pleading lacks the necessary detail regarding how an examiner would have used the brochures in assessing the patentability of the claims. In its pleading, Sidergas stated that during prosecution, the examiner found that the prior art of record lacked certain limitations and referred to the following statement by the examiner:

[T]he prior art of record does not teach or suggest a weld wire for storage on a spool of weld wire that has a shape memory that is at least partially imparted onto the wire before the wire is wound on a spool and is at least partially retained when the wire is unwound, the shape memory is in one plane along a longitudinal length of the wire, is generally in the form of a waveform, and wherein the waveform has a maximum amplitude for each half cycle with a radius of curvature of at least about 5 inches or 60 inches, or the deviation of each maximum amplitude is less than about 6 inches within one cycle.

(Oct. 21, 2003 Office Action at 3-4.)

Sidergas claims that each prior art reference anticipates asserted claims 3, 4, 6, 12, and 13 in the '864 patent. (Sidergas's Resp. at ¶¶ 90-92.) Sidergas's response fails, however, to provide a complete and detailed comparison between the asserted claims of the '864 patent and the two brochures. While the response briefly discusses the content of each brochure (*id.* at ¶¶ 91-92), the discussions are cursory and fail to adequately describe how each of the claim elements identified by the examiner is found in each of the brochures or how the prior art anticipates even one claim of the '864 patent.³ Thus, I find that Sidergas failed to put Lincoln on notice regarding its position on how an examiner would have used the two brochures in assessing the patentability of the '864 patent claims.

Finally, Sidergas's pleading fails to allege the specific intent to deceive, which is a requirement to prove inequitable conduct. Sidergas's pleading alleges that Lincoln and/or Mr. Vickers, while knowing about the Praxair brochure and the C.I.F.E. brochure, failed to disclose

³ "A patent is invalid for anticipation if a single prior art reference discloses each and every limitation of the claimed invention. Moreover, a prior art reference may anticipate without disclosing a feature of the claimed invention if that missing characteristic is necessarily present, or inherent, in the single anticipating reference." *Schering Corp. v. Geneva Pharm., Inc.*, 339 F.3d 1373, 1377 (Fed. Cir. 2003).

these references to the examiner during the prosecution of the '864 patent. Sidergas does not allege that the brochures were withheld from the Patent Office with a specific intent to deceive. In its response to Lincoln's motion, Sidergas acknowledges that its pleading fails to explicitly allege intent to deceive. (Sidergas Opp. at fn. 5.) While "[m]alice, intent, knowledge, and other conditions of a person's mind may be alleged generally" under Fed. R. Civ. P. 9(b), there must be some allegation of intent, and Sidergas's pleading fails to include any such allegation.

Sidergas argues that Lincoln's motion is overbroad because while the motion seeks to strike Sidergas's Seventh Affirmative Defense, it only addresses the inequitable conduct portion of the defense. Sidergas's Seventh Affirmative Defense also includes a section labeled "Infectious Invalidity and Patent Misuse." (See Sidergas Resp. at ¶¶ 121-127.)⁴ Because Lincoln's motion does not address the allegations made in these paragraphs, I decline at this time to address whether or not the allegations made in paragraphs 121-127 are sufficient.

Staff and Sidergas, submit that, if Lincoln's motion is granted, Sidergas should be given until a date certain to amend its response. I decline to include such a provision in this Order. If Sidergas wishes to amend its response to include a sufficient inequitable conduct pleading, it must file a motion pursuant to Commission Rule 210.14(b)(2).

⁴ The better practice when responding to a complaint is to separately list each affirmative defense instead of grouping them together.

ORDER

Motion No. 686-017 is hereby GRANTED-IN-PART. Paragraphs 116-120 of Sidergas's November 16, 2009 response to the amended complaint are hereby stricken. The motion is otherwise DENIED.

SO ORDERED.

A handwritten signature in black ink, appearing to be 'Robert K. Rogers, Jr.', written over a horizontal line.

Robert K. Rogers, Jr.
Administrative Law Judge


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THEREOF AND WELDING WIRE**

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PUBLIC CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **ORDER** was served upon **Benjamin Levi, Esq.**, Commission Investigative Attorneys, and the following parties via first class mail and air mail where necessary on

DEC 08 2009


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PUBLIC CERTIFICATE OF SERVICE PAGE 2

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PUBLIC CERTIFICATE OF SERVICE - PAGE 3

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