

- Keywords:** inequitable conduct; cumulative materiality; intent; good faith; undisclosed; translation; best mode; exceptional case
- General:** The Federal Circuit affirms an inequitable conduct holding based in part on a finding that an undisclosed reference was not cumulative of a cited foreign reference because of the inadequacy of the translation of the foreign reference submitted to the Office.

*Taltech Ltd. v. Esquel Enterprises Ltd.*

95 U.S.P.Q.2d 1257 (Fed. Cir. 2010)

Decided May 12, 2010

## I. Facts

A Taltech (TAL) inventor, John Wong, was inspired by a seam in a TAL raincoat to create a seam for “wash-and-wear” dress shirts that would not pucker when washed. After numerous tests, he chose a material that worked for the application, Vilene SL33. A patent application was filed for the invention on May 17, 1994. An IDS was filed before the first office action, disclosing a different TAL raincoat seam and a German application, Robers, that described a seam similar to that in the inspirational raincoat. However, neither the inspirational raincoat seam nor the use of the Vilene SL33 was disclosed. The application issued on October 29, 1996, as U.S. Patent No. 5,568,779 (the ‘779 patent), which was assigned to TAL.

Aware of the ‘779 patent, a competitor, Esquel, decided to develop its own line of pucker-free, wash-and-wear shirts using a heat-fusible tape for the seams. On April 29, 2004, Esquel sought a declaratory judgment of non-infringement of the ‘779 patent in the Western District of Washington. TAL counter-claimed, alleging infringement.

Following a bench trial, the district court concluded that John Wong engaged in inequitable conduct during prosecution of the ‘779 patent when he did not disclose a raincoat seam that included heat-fusible adhesive tape (undisclosed raincoat seam, “URS”), and when he misrepresented a raincoat seam previously made and sold by TAL (“double top-stitch seam”). Based on these inequitable conduct findings, and a finding of litigation misconduct, the court declared the case exceptional under 35 U.S.C. § 285. The July 13, 2007, final judgment awarded Esquel attorney fees and costs. TAL appealed.

On appeal, the Federal Circuit vacated the inequitable conduct determination. The attorney fees and costs were also vacated because the exceptional case finding was based on TAL’s inequitable conduct in failing to disclose the URS. The case was remanded to determine if the URS was cumulative to Robers.

On remand, the district court provided three separate and independent bases for its finding of an exceptional case: (1) inequitable conduct in failing to disclose the URS; (2) inequitable conduct in misrepresenting the double top-stitch seam; and (3) abusive litigation tactics. Accordingly, the court entered a supplemental final judgment which also imposed interest from the date of the earlier July 13, 2007, judgment.

## II. Issues

- A. Did the district court properly find inequitable conduct and independent ground for an exceptional case based on TAL’s conduct in not disclosing the URS?
- B. Did the district court properly find inequitable conduct and independent ground for an exceptional case based on TAL’s representation of the double top-stitch seam?

- C. Did the district court properly find independent ground for an exceptional case based on abusive litigation tactics?
- D. Did the district court properly impose interest from the date of the earlier judgment?

### III. Discussion

- A. Yes. The district court properly found inequitable conduct and independent ground for an exceptional case based on TAL's conduct in not disclosing the URS.

The URS is a handmade drawing that Wong sketched during his deposition after Esquel asked him to draw the prior art that "inspired" him to experiment in making pucker-free seams in dress shirts. The district court found that the URS met the most stringent of the materiality standards and that in not disclosing the URS, Wong's culpability is high.

TAL argued that URS is cumulative to Robers. However, the district court found the URS not cumulative to Robers because (1) TAL's translation of the German reference was inadequate to inform a patent examiner that Robers was material to patentability; (2) the URS had an armhole seam relevant to certain dependent claims, while Robers only describes a closure seam; and (3) the URS incorporated Vilene SL33, the adjudicated withheld best mode for the '779 patent, while Robers only disclosed a generic thermoplastic component.

As part of its cumulateness inquiry, the district court considered a portion of the English translation of Robers that TAL submitted to the PTO. During litigation, Esquel submitted a different translation of the Robers patent to aid the district court in interpreting the German reference. After comparing the two translations on remand, the district court found TAL's translation inadequate. TAL's translation used the term "closure" where Esquel used the term "assembly", and TAL's translation used the term "seam" where Esquel used the term "ribbon." The term "closure" was deemed to limit Robers to seams associated with fastenings, and the term "seam" was deemed nonsensical because it resulted in a joint that is itself sewn into a joint.

TAL argued that the court erred in striking its comparison of the URS and Robers to the '779 patent claims, and that this comparison demonstrates Robers' disclosure of more claim elements than the URS. As support for this position, TAL cited legal precedent stating that when determining if uncited prior art is cumulative to art before the examiner, the trial court must compare both to the claims of the patent in suit. However, the Federal Circuit apparently distinguished these cases because they did not relate to the adequacy of the translation. The Federal Circuit concluded that the difference in translations indicated that Robers was not before the examiner for all intents and purposes, which obviated the need for comparison.

TAL argued that the court erred by not applying Robers to arm holes, which inappropriately narrowed its disclosure by focusing solely on the claims to the exclusion of a broader disclosure. However, the Federal Circuit found that the district court had not limited its focus to the claims Robers and further asserted that that TAL's arguments were based on misinterpretation of the court's position and misinterpretation of Robers. TAL also argued that the court used an improper dictionary definition of "closure." However, the Federal Circuit indicated that the alternative definition provided by TAL would not change the outcome.

TAL also asserted that the URS does not disclose an armhole, and that even if it did disclose an armhole seam, it would not have been important to the examiner because he already had references with such seams. However, the Federal Circuit concluded that the evidence supports that the URS is an armhole seam. Further, even if it is a different type of seam, it remains non-cumulative because Robers is limited to closure seams.

With regard to the Vilene, TAL asserted that the examiner would not have been concerned with the particular adhesive. Further, TAL asserted that Robers disclosed a small genus that anticipates the species, that Robers' disclosure of a pressing temperature of 150 degrees Celsius teaches specific thermoplastics, and that the examiner had been supplied numerous other examples. However, the Federal Circuit determined that the examiner would have found the URS's Vilene SL33/armhole combination important because dependent claims include polyamide of which Vilene is an example and the specification stresses issues with pucker at armholes. With regard to TAL's other arguments, the Federal Circuit found TAL's position inconsistent with previous arguments asserting that a lack of disclosure would "confound a skilled practitioner."

- B. Yes. The district court properly found inequitable conduct and independent ground for an exceptional case based on TAL's representation of the double top-stitch seam.

TAL argued that "the appearance of two top stitches protruding through the upper garment ply may be acceptable in the seams of heavy raincoats, but such a configuration is wholly inadequate for most garments, particularly dress shirts." However, TAL failed to disclose that five percent of dress shirts sold in the United States by TAL featured two top stitches in the armhole seam. Further, TAL argued that "an overlock stitch ... is unacceptable in most applications, particularly shirts." However, TAL failed to disclose that five to six percent of the dress shirts sold by TAL in the early 1990s had overlock stitches.

According to the Federal Circuit, both of TAL's statements set forth above were arguments for patentability. The information that TAL failed to provide is material to patentability and not cumulative.

Additionally, the district court found that Wong represented to the examiner that he had "recently become aware" of the double top-stitch seam when it was Wong's attorney making the statement. However, the Federal Circuit concluded that the district court fully grasped the attorney's decision to be intentionally ambiguous about when Wong was aware of the prior art sales, and this misdirection is imputable to Wong.

- C. Yes. The district court relied on numerous actions taken by TAL and was deemed to be in a better position to evaluate whether or not abusive litigation tactics were used.
- D. No. Post-judgment interest may not run from a legally insufficient judgment. The July 13, 2007, judgment was insufficient because it was vacated.

#### **IV. Dissent**

- A. The URS is merely cumulative of Robers. The differences in the submitted translations are not evidence of intent to deceive. The art of translation is not precise. Further, for the most part, the words used have equivalent meanings. Regardless, the examiner had the figures of Robers and all of the elements present in the URS are present in Robers. Further, Robers discloses an important additional element, the top stitch. Thus, the cited reference was actually more pertinent than the URS, and the URS was clearly cumulative.

There was no evidence whatsoever that the URS was an armhole seam. Nevertheless, the district court improperly limited the URS to an armhole seam of a raincoat, instead of merely a raincoat seam.

The examiner was not concerned with a specific type of adhesive and the disclosure of Vilene or otherwise is wholly irrelevant

- B. The majority fails to explain how these statements are material when the claims do not include such stitches. Additionally, such information was cumulative based on the

figures of Robers alone. Further, deceptive intent cannot be inferred. TAL's statements are true and that is why so few shirts included such stitches.

With regard to the allegedly misleading statement by Wong that he had recently become aware of the disclosed double top-stitch seam, in the context of the amendment, the attorney was clearly making the statement about the attorney's awareness.