

Keywords: inequitable conduct; invalidity; corroboration of oral testimony; Walker Process antitrust violation; attorney fees; treble damages

General: Federal Circuit affirms a finding of a patent invalid due to obviousness, a finding that the patent is unenforceable due to inequitable conduct, and a Walker Process antitrust award

TransWeb, LLC v. 3M Innovative Properties
No. 2014-1646 (Fed. Cir. February 10, 2016)

I. Facts

3M and TransWeb are both manufacturers of filters for respirators, such as those worn by workers in a dirty or otherwise contaminated worksite. The filter media at issue in this case consists of “nonwoven fibrous webs” which rely on a “web” of fibers rather than traditional woven material. Both TransWeb and 3M use a process of melting pellets of a filter material, such as polypropylene, blowing the melted material into a thin film, and then allowing the material to cool and solidify into nonwoven fibrous web. It had been known that imparting an electrical charge, referred to as an electret, on the filter medium can repel or capture particulates both by mechanical and electromagnetic means.

TransWeb and 3M independently developed a technique for imparting this electret by using plasma fluorination. Fluorination involves introducing fluorine atoms into the chemical structure of the filter web. Previously known techniques involved mixing fluorine compounds into the melted filter material, but this proved disadvantageous. Instead, TransWeb and 3M both discovered that it would be advantageous to first form the fibrous web and then introduce the fluorine atoms into the chemical structure. This technique involves exposing a gaseous fluorine compound to the surface of the filter web in the presence of plasma. The intense heat and electromagnetic energy introduced by the plasma cause some of the chemical bonds on the surface of the filter web to break, and the fluorine atoms fill in those bonds to form fluorine compounds on the surface of the filter web.

TransWeb’s founder, Mr. Ogale, attended a filtration industry exposition in April of 1997. At the expo, TransWeb allegedly provided samples of TransWeb’s “T-melt” products which include the melt-blown, nonwoven, fibrous web. The dispute is whether Ogale handed out samples of T-Melt P products, a specific class of plasma fluorinated products. Ogale testified that he did hand out plasma fluorinated products. The expo occurred more than a year prior to the priority date of the patents asserted by 3M, so any public disclosure would be a bar to patentability. In July of 1998, 3M filed Patent application 09/109,497 to which both U.S. Patent No. 6,397,458 and 6,808,551 claim priority.

District Court Proceedings

3M filed suit against TransWeb. A jury found the claims of the ‘458 patent invalid and the district court denied 3M’s motion for judgment as a matter of law of non-invalidity. The jury found the patents unenforceable due to inequitable conduct. Further, the jury found a Walker Process antitrust violation based on fraudulent procurement and assertion of the ‘458 and ‘551 patents. The district court awarded approximately \$26 million to TransWeb, including \$3.2 million in attorney fees for cost of suit fees to prosecute the antitrust claim and \$7.7 million trebled to \$23 million in attorney fees to defend the suit.

II. Issue

- (1) Did the district court err in finding invalidity and denying 3M’s motion for judgment as a matter of law?
- (2) Did the district court err in finding inequitable conduct?
- (3) Did the district court err in finding 3M committed a Walker Process antitrust violation?

III. Discussion

(1) No. The Federal circuit held that the district court did not err in finding invalidity and denying 3M's motion for JMOL. 3M contested the judgment based on a lack of corroboration of Ogale's public use testimony and based on the claims even if there were public use. Oral testimony by an interested party on its own will not suffice as "clear and convincing" evidence of invalidity of a patent. Rather, oral testimony must be corroborated by some other evidence. This is due to the sometimes unreliable nature of oral testimony. A rule of reason is used to determine sufficiency of corroboration which is reviewed for clear error (as a question of fact). 3M argues that TransWeb must independently evidence all material facts of the invalidating public use and provided no evidence for a material fact: that the plasma-fluorinated material was distributed at the expo. The court rejects an elementwise attack on corroboration of oral testimony. The court notes that corroboration is a flexible, rule-of-reason demand for independent evidence. Here, the independent evidence, taken as a whole makes credible Ogale's testimony that he distributed the plasma-fluorinated material at the expo.

The court further notes that there was evidence that TransWeb had produced the plasma-fluorinated material at least three months before the expo. TransWeb filed a patent application at the time of the expo. Correspondence with a Filtration group illustrated that he was sending out samples shortly after the expo. Further correspondence demonstrated that TransWeb offered for sale large quantities of plasma-fluorinated product within two months of the expo. Given the totality of the evidence, the court finds no clear error in the determination that Ogale's testimony was sufficiently corroborated.

(2) No. Both the '458 and '551 patents are unenforceable for inequitable conduct. Inequitable conduct requires clear and convincing evidence of materiality, knowledge of materiality, and a deliberate decision to deceive. The Federal Circuit found that the expo presented a definitional case of but-for materiality. During prosecution, the examiner initially allowed all claims. When 3M notified the examiner of one of TransWeb samples that it had on hand, the examiner rejected all claims as obvious. 3M asserted that TransWeb samples were only received after signing of a confidentiality agreement. Only after the samples were not prior art did the examiner allow the claims. As such, the TransWeb samples are but-for material.

The district court found that the inventor, Marvin Jones, and the in-house attorney at 3M, Karl Hanson, both acted with a specific intent to deceive the patent office. The jury unanimously reached the same conclusion. The district court found:

(a) A week prior to the expo, a group of 3M employees were party to a length email coordinating 3M's efforts to gather information on TransWeb at the expo. Two 3M employees were identified as point people for gathering information on TransWeb. The emails included an article mentioning TransWeb's T-melt products, which was forwarded to Jones. Jones attended the expo.

(b) At trial, Jones professed that he had no recollection of visiting the TransWeb booth which the jury found not credible. Jones's supervisor sent him an email after the expo detailing the information and samples received from TransWeb by the point people, noting that 3M had received a sample and requested another sample.

(c) Jones knew that TransWeb distributed the material at the expo. 3M acquired Racal, an independent filtration company in the year following the expo. An employee of Racal told Jones that TransWeb had been producing plasma-fluorinated material.

(d) Meeting notes were revised with additional information not in handwritten notes.

The district court found that Hanson undertook an intentional scheme to paper over the potentially prior art nature of the samples received. The Racal employees received the samples from TransWeb at the latest one month after the expo. It was unclear whether the samples were under a confidentiality agreement. Hanson later sent a confusing letter to Ogale to clarify that the samples were under a confidentiality agreement which was subsequently used to as proof that the samples were not prior art.

The Federal Circuit noted that there was circumstantial evidence suggesting the specific intent to hide the prior art nature of the TransWeb products. Hanson did not disclose the TransWeb material to the patent office until negotiations between 3M and TransWeb had broken down. Further, Hanson waited until the last possible moment when a notice of allowance had been mailed, to submit the TransWeb material in a request for continued examination (RCE). As such, the Federal Circuit found no abuse of discretion in the district court's ultimate conclusion of unenforceability for inequitable conduct.

(3) No. The Federal Circuit affirms the district court finding a Walker Process antitrust violation. In order to prevail in a Walker Process claim, the antitrust plaintiff must show that (1) the antitrust defendant obtained the patent by knowing and willful fraud on the patent office and maintained and enforced the patent with knowledge of the fraudulent procurement, and (2) all the other elements necessary for establishing a Sherman Act monopolization claim. The other elements are (a) that the defendant engaged in predatory or anticompetitive conduct with (b) a specific intent to monopolize and (c) a dangerous probability of achieving monopoly power.

Because there was a finding of inequitable conduct, the showing required for proving fraud may be nearly identical and was not challenged by 3M. Further, 3M focused its argument on (c) a dangerous probability of achieving monopoly power, in which the court looks at the relevant market and the defendant's ability to lessen and destroy competition in that market. The relevant market is the market which buyers may rationally look for goods. 3M argues that customers look overseas to purchase respirators. The Federal Circuit finds this as a flawed distinction because overseas purchases were already included in the United States geographic market in trial.

3M also argues that the attorney fees are an appropriate remedy if a Walker Process claim is proven. Under the Sherman Act, "any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws ... shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. 3M argued that they had no effect on competition, did not prevail at trial, and did not force TransWeb out. However, the Federal Circuit noted that 3M's unlawful act was in fact aimed at reducing competition and would have done so had the suit been successful. What made this act unlawful was 3M's attempt to gain a monopoly. That 3M failed to prevail in a lawsuit does not make the resultant attorney fees any less attributable to that behavior and attorney fees are precisely the type of loss that the claimed violations would likely cause.

V. Conclusion

Corroboration of oral testimony at trial as evidence of invalidity of a patent is a flexible, rule-of-reason demand for independent evidence. Attorney fees may be an appropriate remedy if a Walker Process claim is proven when a patent is obtained by fraud on the patent office.