

Not Reported in F.Supp.2d, 2006 WL 3455000 (S.D.Tex.)
 (Cite as: 2006 WL 3455000 (S.D.Tex.))

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United States District Court,
 S.D. Texas,
 Houston Division.
 SANITEC INDUSTRIES, Plaintiff,
 v.
 MICRO-WASTE CORPORATION, Defendant.

Civil Action No. H-04-3066.
 Nov. 28, 2006.

Richard J. Oparil, Jennifer King, Patton Boggs LLP,
 Washington, DC, for Plaintiff.

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 Tidwell, Jackson Walker LLP, Houston, TX, David
 Fielding, Fielding Parker et al., Fort Worth, TX,
 Stephen B. Benisch, Attorney at Law, Clark, NJ, for
 Defendant.

**FINDINGS OF FACT, CONCLUSIONS OF LAW,
 AND CONCLUSION AND ORDER**
 EWING WERLEIN, JR., District Judge.
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*1 After all parties have rested and closed the evidence, and having heard and considered the arguments and authorities of counsel, the Court makes the following findings of fact and conclusions of law pursuant to [Fed.R.Civ.P. 52](#), followed by the Court's Conclusion and Order.

Findings of Fact

Except where the clear and convincing evidence standard of proof applies and the Court so notes, the Court finds from a preponderance of evidence as follows:

I. *The Parties*

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1. Plaintiff/Counterclaim Defendant Sanitec Industries, Inc. (“Industries”) is a corporation organized under the laws of the State of California, having its principal place of business in California. Industries was incorporated on February 19, 2003.

2. James Harkess (“Harkess”) is the President and CEO of Industries.

3. Defendant/Counterclaim Plaintiff Micro-Waste Corporation (“Micro-Waste”) is a corporation organized under the laws of the State of Texas, having its principal place of business in Fort Worth, Texas. Micro-Waste was founded in September 1989 and was incorporated in February 1990.

4. Robert Bollinger (“Bollinger”) is the President of Micro-Waste.

II. *The Relevant Sanitec Entities*

5. At least in the 1980's Vetco Sanitec GmbH (“Vetco Sanitec”) was a German subsidiary of Combustion Engineering (“CE”).

6. During that period of time CE-Environmental, Inc. (“CE-E”) and CE Impell (“CE-I”) were also subsidiaries of CE.

7. In December 1989, Asea Brown Boveri Inc. (“ABB”) purchased CE. The two companies merged in January 1990.

8. Shortly thereafter, CE-E became ABB Environmental Services, Inc. (“ABB-E”), and CE-I became ABB Impell (“ABB-I”).

9. John Cusack (“Cusack”) and Joseph Delloiacovo (“Delloiacovo”) were both employees of CE-E.

10. In 1990, ABB formed ABB-Sanitec, Inc. (“ABB-S”).

11. Cusack served as President of ABB-S from its inception in 1990 until 1993.

12. In 1995, ABB-S became Sanitec, Inc. (“Inc.”).

13. In April 2001, Sanitec, Inc. became Sanitec,

Ltd. (“Ltd.”).

14. On February 20, 2002, Sanitec Group, LLC (“Group”) was formed.

15. Group was owned by Guardian Investments, LLC (“Guardian”), which was in turn owned by Steven Ventre (“Ventre”).

16. Guardian is an Ohio limited liability company organized on or about October 1, 1999.

17. Ventre was the sole Member of Guardian and Group.

18. Group was managed by Delloiacovo as President until his resignation in February 2004.

19. In February 2004, Group assigned its assets to Industries.

III. *The Efficacy of the Patent Application Process Under the Patent Cooperation Treaty, Issuance of the '000 Patent, and Whether There was Inequitable Conduct*

20. The patent-in-suit is [U.S. Patent No. 5,270,000](#) (“the '000 Patent”), entitled “Apparatus and Process for Treating Medical Hazardous Wastes.” The technology covered by the '000 Patent (the “Sanitec Technology”) pertains to a device, often called a “microwave disinfection unit” or “MDU,” and process that uses microwaves to disinfect and sterilize medical waste in an economical and environmentally friendly manner.

*2 21. The Sanitec Technology was originally developed by employees of Vetco Sanitec.

22. The named inventors of the '000 Patent, Helmut Goldner, Reinhold Kamann, and Heinz Leinski (“Leinski”) (collectively, the “Inventors”) were located in Germany.

23. On April 19, 1989, a Federal Republic of Germany patent application, Serial No. P3912751.6 (also called DE 39 12 751) (the “German Application”), was filed with the German Patent office and issued as German [Patent No. 3912751](#) (the “German Patent”).

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24. The German Patent discloses the Sanitec Technology and is a foreign counterpart of the '000 Patent. Industries is the current owner of the German Patent.

25. On April 16, 1990, international application No. PCT/US90/02043 (the "PCT Application") was filed under the Patent Cooperation Treaty (the "PCT").

26. The Patent Application designated Canada, Japan, and the United States for national patent protection.

27. The PCT Application listed Vetco Sanitec as the applicant for Japan, ABB-E as the applicant for Canada, and the Inventors as the applicants for the United States (collectively, the "Applicants").

28. The PCT Application included a 19-page description, 4 pages of claims, a 1-page abstract, and 7 pages of drawings.

29. The PCT Application claimed priority based on the April 19, 1989, German Application, and a certified copy of the German Application accompanied the PCT Application.

30. The PCT Application was also accompanied by a request to charge fees to a deposit account, and the fee calculation worksheet provided that the European Patent Office ("EPO") would conduct the international search.

31. The fee calculation worksheet also provided that the designation fees were to be applied first to the United States, and then to Japan and Canada, in that order, indicating that the Applicants viewed patent protection in the United States being of highest importance.

32. On May 15, 1990, the EPO notified the Applicants' attorney, Richard Berneike ("Berneike"), that the search copy of the PCT application had been received by the EPO on May 9, 1990.

33. The PCT Application was published with an international search report on November 1, 1990, under PCT Publication No. W090/12602.

34. On September 27, 1991, the United States Patent and Trademark Office ("USPTO") received a transmittal letter from the Applicants' attorney Berneike, requesting that the PCT Application be entered into the national stage in the United States.

35. In the September 27, 1991 transmittal letter, Berneike stated that the request to enter the national stage was being made "by 30 months and a proper demand for International Preliminary Examination [a "Demand"] was made by the 19th month from the earliest claimed priority date."

36. The evidence is not clear and convincing that Berneike's representation that a proper Demand had been filed within 19 months after April 19, 1989, priority date was either mistaken or false.

*3 37. A proper Demand for International Preliminary Examination was timely filed within 19 months after April 19, 1989.

38. After processing, the PCT Application was assigned United States application Serial No. 07/768,870 (the "'870 Application").

39. On October 22, 1991, the USPTO drafted from the deposit account the national stage application fee for the '870 Application.

40. On October 25, 1991, the USPTO mailed to Berneike a "Missing Requirements under 35 U.S.C. § 371 and 37 CFR 1.494 or 1.495" notification, which stated:

The following items must be received by: 22 [] 32 months from any claimed priority date for the application to be accepted for examination:

...

Oath or declaration of the applicant(s) for DO/EO/US

Surcharge for providing the fee and/or oath or declaration later than [] 20 [] 30 months from any claimed priority date (37 CFR 1.492(e)) \$120

41. The "22" months box, rather than the "32"

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months box, was mistakenly checked on the foregoing Missing Requirements form, an obvious mistake since a Demand had been filed (*see supra* Findings of Fact Nos. 35, 36, and 37), which entitled the Applicant to 30 months (plus two months grace period) within which to enter the national stage.

42. In fact, the Missing Requirements form was not mailed until October 25, 1991, which itself was more than 22 months after the April 19, 1989, priority date. Thus, when the Missing Requirements form was mailed, there was no possibility that the applicants could submit their oath or declaration within 22 months from the priority date. This further evidenced the mistaken marking of the box designating “22” months.

43. The purpose of the Missing Requirements form is to provide the applicant(s) with an opportunity to satisfy the requirements of 35 U.S.C. § 371(c).

44. If no Demand had been made and 20 months (plus two months grace period) from April 19, 1989, had actually been the time allowed to enter the national stage, then by October 25, 1991 (30 months after the priority date), the USPTO instead of sending a Missing Requirements form would have, if anything, given notice that the PCT Application had been abandoned as to the United States.

45. The fact that the USPTO sent a Missing Requirements notification as late as October 25, 1991, evidences that the USPTO was actually processing the '870 Application under Chapter II of the PCT, and that under 37 C.F.R. 1.495(c) the Applicants therefore had 32 months after the April 19, 1989, priority date within which to file the declaration.

46. On October 31, 1991, Berneike responded to the Missing Requirements notification by submitting three copies of the 35 U.S.C. § 371(c)(4) Declaration and authorizing the USPTO to draft the surcharge from the deposit account.

47. Because the Declaration was filed within 32 months of the April 19, 1989, priority date-*i.e.*, before December 19, 1991-the Declaration was timely filed.

*4 48. Because October 31, 1991 is the date on which the Applicants fully satisfied the last of the 35 U.S.C. § 371(c) requirements, October 31, 1991, is displayed as the “371(c) Date,” the “102(e) Date,” and the filing date on the file wrapper.

49. Although the file wrapper lists the “Filing Date” of the '000 Patent as October 31, 1991, this is merely the date of receipt of all 35 U.S.C. § 371(c) requirements, not the actual international filing date.

50. On November 25, 1991, the USPTO mailed to Berneike a “Notification of Acceptance of Application under 35 U.S.C. § 371 and 37 CFR 1.494 or 1.495.” Thus, the USPTO determined that the '870 Application was properly filed in the United States under 35 U.S.C. § 371 and either 37 C.F.R. § 1.494 or § 1.495, *i.e.*, that it met the requirements for entering the national stage in the United States under the PCT.

51. The Notification of Acceptance states:

The applicant is hereby advised that the United States Patent and Trademark Office in its capacity as a Designated Office, [] Elected Office, has determined that the above identified international application has met the requirements of 35 U.S.C. § 371 and 37 CFR 1.494, [] 1.495 and is ACCEPTED for national patentability examination in the United States Patent and Trademark Office.

52. The § 1.494 box on the Notification of Acceptance form was mistakenly marked instead of the § 1.495 box, which was the only section of the Regulations under which the USPTO could have accepted the '870 Application as properly filed. (As it happens, the same USPTO employee filled in both this form and the Missing Requirements form referred to above in Findings of Fact Nos. 40-45).

53. The foregoing clerical error in marking the § 1.494 box is obvious because the '870 Application was filed on September 27, 1991-which was more than 20 months after the April 19, 1989, priority date-and therefore the '870 Application would not have met the requirements for entering the national stage under

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