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5 **UNITED STATES DISTRICT COURT**
6 **EASTERN DISTRICT OF CALIFORNIA**
7

8 **H.W.J. DESIGNS FOR AGRIBUSINESS,**
9 **INC. AND SAMUEL STRAPPING**
10 **SYSTEMS, INC.,**

11 **Plaintiffs**

12 **v.**

13 **RETHCEIF ENTERPRISES, LLC A/K/A**
14 **RETHCEIF PACKAGING, AND L.P.**
15 **BROWN COMPANY, INC. D/B/A**
16 **INTERNATIONAL FIBER**
17 **PACKAGING,**

18 **Defendants**

CASE NO. 1:17-CV-0272 AWI SKO

ORDER RE: MOTION ON THE
PLEADINGS

(Doc. 65)

19 **I. Background**

20 Plaintiff HWJ Designs for Agribusiness, Inc. (“HWJ”) owns two patents relating to
21 machinery that processes cotton into bales, U.S. Patent No. 8,336,404 (“404 Patent”) and U.S.
22 Patent No. 9,463,885 (“885 Patent”). HWJ exclusively licensed the 404 and 885 Patents to
23 Plaintiff Samuel Strapping Systems, Inc. (“Samuel”). HWJ and Samuel (collectively “Plaintiffs”)
24 assert that defendants Rethceif Enterprises, LLC (“Rethceif”) and LP Brown Company, Inc.
25 (“LP”) (collectively “Defendants”) have manufactured and distributed cotton bale wrapping
26 machines that infringe upon the 404 and 885 Patents. Some of those machines have been sold in
27 the Eastern District of California. Plaintiffs sued Defendants for patent infringement in Fresno;
28 count one of Plaintiffs’ complaint alleges infringement of the 404 Patent and count two alleges
infringement of the 885 Patent. Doc. 1.

Defendants have filed separate answers and counterclaims asserting that the 404 and 885
Patents are invalid. Docs. 20 and 21. Defendants have filed a joint motion on the pleadings,

1 asking the court to find the 885 Patent and therefore dismissing with prejudice count two of
2 Plaintiff's complaint. Doc. 65-1, 13:4-12. Based on the following analysis, Defendants' motion is
3 denied.

4 5 **II. Legal Standard**

6 "In a patent case, a district court is bound by decisions of the United States Court of
7 Appeals for the Federal Circuit for the determination of all issues except those that are 'entirely
8 procedural' and not unique to patent law; with respect to such procedural matters, the Federal
9 Circuit applies the law of the circuit court where appeals from the district court would normally
10 lie." Saes Getters S.P.A. v. Aeronex, Inc., 219 F. Supp. 2d 1081, 1084-85 (S.D. Cal. 2002), citing
11 Atasi Corp. v. Seagate Tech., 847 F.2d 826, 829 (Fed. Cir. 1988). Motions for judgment on the
12 pleadings qualifies a one such procedural matter. See RecogniCorp, LLC v. Nintendo Co., 855
13 F.3d 1322, 1325 (Fed. Cir. 2017). Therefore, the Ninth Circuit standards apply.

14 Under Federal Rule of Civil Procedure 12(c), after the pleadings are closed but within such
15 time as not to delay the trial, any party may move for judgment on the pleadings. Fed. Rule Civ.
16 Proc. 12(c). Because the motions are functionally identical, the same standard of review
17 applicable to a Rule 12(b)(6) motion applies to a Rule 12(c) motion. Dworkin v. Hustler
18 Magazine, Inc., 867 F.2d 1188, 1192 (9th Cir. 1989). Judgment on the pleadings is appropriate
19 when, taking all the allegations in the non-moving party's pleadings as true, the moving party is
20 entitled to judgment as a matter of law. Ventress v. Japan Airlines, 486 F.3d 1111, 1114 (9th Cir.
21 2007). The allegations of the nonmoving party must be accepted as true, while any allegations
22 made by the moving party that have been denied or contradicted are assumed to be false. See
23 MacDonald v. Grace Church Seattle, 457 F.3d 1079, 1081 (9th Cir. 2006). The facts are viewed
24 in the light most favorable to the non-moving party and all reasonable inferences are drawn in
25 favor of that party. See Living Designs, Inc. v. E.I. DuPont de Nemours & Co., 431 F.3d 353, 360
26 (9th Cir. 2005). However, judgment on the pleadings is improper when the district court goes
27 beyond the pleadings to resolve an issue; such a proceeding must properly be treated as a motion
28 for summary judgment. Hal Roach Studios v. Richard Feiner & Co., Inc., 896 F.2d 1542, 1550

1 (9th Cir. 1989). A court may consider documents attached to the complaint, documents
2 incorporated by reference in the complaint, or matters of judicial notice. Dichter-Mad Family
3 Partners. LLP v. United States, 709 F.3d 749, 761 (9th Cir. 2013).

4 5 **III. Discussion**

6 **A. Defendants' Main Argument**

7 This motion only relates to the 885 Patent. Before the 885 Patent, HWC filed U.S.
8 Application Number 61/023,812 ("812 Provisional") on January 25, 2008. As part of that filing
9 was a picture of showing what is termed a bag sampling device. Doc. 20-2, page 27.¹ HWC filed
10 U.S. Application Number 13/842,908 ("908 Application") for what ultimately turned into the 885
11 Patent on March 15, 2013. Th 908 Application was itself a continuation of earlier U.S.
12 Application Number 12/397,138 filed on March 3, 2009. This application referred to the 812
13 Provisional and stated "the contents of which are expressly incorporated herein by reference for all
14 purposes. The mechanism for grabbing the cut sample(s), as taught in the '812 application, may be
15 placed at a location in the bagging assembly so that the cut samples are grabbed prior to the
16 stuffing assembly 120 pushing and stuffing the strapped bale into a bag for bagging." Doc. 20-1,
17 page 213. On July 12, 2016, the United States Patent and Trademark Office ("Patent Office") then
18 issued a Notice of Allowance, signaling its intent to issue the patent. Doc. 20-1, page 56. In that
19 Notice of Allowance, the Patent Office informed HWC that the illustration of the bag sampling
20 device was inadequate and had to be corrected:

21 The drawings are objected to under 37 CFR 1.83(a). The drawings must show every
22 feature of the invention specified in the claims. Therefore, the 'bag sampling
23 device' must be shown or the feature(s) canceled from the claim(s). **No new matter**
should be entered.

24 Corrected drawing sheets in compliance with 37 CFR 1.121(d) are required in reply
25 to the Office action to avoid abandonment of the application. Any amended
26 replacement drawing sheet should include all of the figures appearing on the
immediate prior version of the sheet, even if only one figure is being amended. The

27 ¹ The parties have filed several documents to provide evidence in support of their briefing on this
28 motion. The court is only relying on the Plaintiffs' complaint, Defendants' answers and
counterclaims, and documents attached to those filings. Thus, there is no need to convert this
motion into a summary judgment.

1 figure or figure number of an amended drawing should not be labeled as
2 'amended.' If a drawing figure is to be canceled, the appropriate figure must be
3 removed from the replacement sheet, and where necessary, the remaining figures
4 must be renumbered and appropriate changes made to the brief description of the
5 several views of the drawings for consistency. Additional replacement sheets may
6 be necessary to show the renumbering of the remaining figures. Each drawing sheet
submitted after the filing date of an application must be labeled in the top margin as
either 'Replacement Sheet' or 'New Sheet' pursuant to 37 CFR 1.121(d). If the
changes are not accepted by the examiner, the applicant will be notified and
informed of any required corrective action in the next Office action. The objection
to the drawings will not be held in abeyance.

7 Doc. 20-1, page 62, emphasis added. HWC filed an amendment which included the picture of the
8 bag sampling device, stating "Applicant is including new FIG. 20, which is FIG. 1 from
9 Provisional Application No. 61/023,812, which was incorporated by reference in the present
10 application in originally filed paragraph [0035]. Applicant further amended the specification as
11 noted above to provide context for newly added FIG. 20. Applicant submits that no new matter
12 has been added by the present Amendment." Doc. 20-1, page 44. The 885 Patent was approved by
13 the Patent Office and issued on October 11, 2016. Doc. 1, 10:19-22.

14 Defendants assert that this process violated patent law such that the 885 Patent must be
15 deemed invalid. By statute, a patent application must include a specification that "shall contain a
16 written description of the invention, and of the manner and process of making and using it, in such
17 full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains,
18 or with which it is most nearly connected, to make and use the same, and shall set forth the best
19 mode contemplated by the inventor or joint inventor of carrying out the invention." 35 U.S.C. §§
20 111(a)(2)(A) and 112(a). Regulations then further explain that the specification may reference
21 other material but

22 (c) 'Essential material' may be incorporated by reference, **but only by way of an**
23 **incorporation by reference to a U.S. patent or U.S. patent application**
24 **publication**, which patent or patent application publication does not itself
incorporate such essential material by reference. 'Essential material' is material that
is necessary to:

25 (1) Provide a written description of the claimed invention, and of the manner and
26 process of making and using it, in such full, clear, concise, and exact terms as to
27 enable any person skilled in the art to which it pertains, or with which it is most
28 nearly connected, to make and use the same, and set forth the best mode
contemplated by the inventor of carrying out the invention as required by the first
paragraph of 35 U.S.C. 112;

1 (2) Describe the claimed invention in terms that particularly point out and distinctly
claim the invention as required by the second paragraph of 35 U.S.C. 112; or

2 (3) Describe the structure, material, or acts that correspond to a claimed means or
3 step for performing a specified function as required by the sixth paragraph of 35
U.S.C. 112.

4 37 C.F.R. § 1.57(c) (2009)², emphasis added. Defendants argue that the bag sampling device
5 constitutes essential material. Doc. 65-1, 11:4-6. “Provisional patent applications...are
6 unpublished.” Nomadix, Inc. v. Second Rule LLC, 2009 U.S. Dist. LEXIS 138174, *74 (C.D. Cal.
7 Jan. 16, 2009). Significantly, the applicable regulation permits the correction of mistakes: “An
8 incorporation of material by reference that does not comply with paragraphs (b), (c), or (d) of this
9 section is not effective to incorporate such material unless corrected within any time period set by
10 the Office...” 37 C.F.R. § 1.57(g) (2009). Defendants assert that that provision is inapplicable
11 “when the original incorporation by reference was legally inoperative.” Doc. 73, 7:7-11. Thus,
12 Defendants assert the initial 908 Application violated Section 112 as HWC’s specification failed
13 to include information about an essential material.

14 Regarding the Notice of Allowance, Defendants point out statutory language which states
15 “Whenever, on examination, any claim for a patent is rejected, or any objection or requirement
16 made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or
17 objection or requirement, together with such information and references as may be useful in
18 judging of the propriety of continuing the prosecution of his application; and if after receiving
19 such notice, the applicant persists in his claim for a patent, with or without amendment, the
20 application shall be reexamined. **No amendment shall introduce new matter into the disclosure**
21 **of the invention.**” 35 U.S.C. § 132(a), emphasis added. The Notice of Allowance did specify that
22 no new matter could be introduced at that stage of the application. Defendant’s theory is that since
23 the initial incorporation of the 812 Application material was ineffective, any attempt to include it
24 would necessarily be an introduction of new matter in violation of Section 132. Doc. 65-1, 10:27-
25 11:3.

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27 ² Due to the history of filing and relation back of applications, the applicable regulations are the
28 version in place as of March 3, 2009. Since that time 37 C.F.R. § 1.57 has been amended to
reorder the subsections without making any substantive changes to the language relevant to this
motion. The court follows the parties’ convention of citing to the 2009 version of that regulation.

1
2 **B. Invalidity**

3 Taken altogether, Defendants have not shown how these alleged defects require the
4 invalidation of the 885 Patent. In general, “A patent shall be presumed valid.” 35 U.S.C. § 282(a).
5 Defenses to a claim of infringement include:

6 (2) Invalidity of the patent or any claim in suit on any ground specified in part II
7 [35 U.S.C. §§ 100-212] as a condition for patentability.

8 (3) Invalidity of the patent or any claim in suit for failure to comply with –
9 (A) any requirement of section 112...

10 35 U.S.C. § 282(b). The two statutes Defendants cite to that form the core of their argument are
11 included in this language. Defendants have not pointed to any legal authority that makes a
12 violation of an applicable C.F.R. a basis for invalidating a patent independent of Section 282.

13 **1. Section 132**

14 Defendants assert that the addition of new matter in the amendment to the 908 Application
15 violated Section 132. Older case law provides support that a violation of Section 132’s new
16 matter prohibition is itself grounds for invalidating a patent: “Section 132 is procedural not
17 substantive. [Defendants] say a failure to comply with such a ‘procedural’ aspect of the patent
18 laws does not affect the substantive validity of the Patents. But defendants cite no support for that
19 proposition. And other courts have (not surprisingly) held patents invalid for violating Section
20 132’s new-matter prohibition.” O’Hara Mfg. v. Eli Lilly & Co., 1986 U.S. Dist. LEXIS 22546, *8
21 (N.D. Ill. July 18, 1986), citing All States Plastic Mfg. Co. v. Weckesser Co., 362 F. Supp. 94, 100
22 (N.D. Ill. 1973) and Whiteway Manufacturing Co. v. Oscar Phillips Co., 261 F.Supp. 841 (S.D.
23 Ohio 1966). But, newer case law appears to have stepped away from that line of reasoning: “the
24 presumption of validity is not subject to being diluted by ‘procedural lapses’ during
25 prosecution....After a patent has issued, validity is determined objectively based on prior art and
26 the other requirements of patentability.” Norian Corp. v. Stryker Corp., 363 F.3d 1321, 1329 (Fed.
27 Cir. 2004). Potential patent invalidity based on Section 132 is covered by Section 282(2). The
28 Federal Circuit has determined that “Section 282(2), by virtue of its applicability to ‘condition[s]

1 for patentability,' relates only to defenses of invalidity for lack of utility and eligibility, novelty,
2 and nonobviousness." Aristocrat Techs. Austl. Pty Ltd. v. Int'l Game Tech., 543 F.3d 657, 662
3 (Fed. Cir. 2008). More specifically, "Procedural lapses during examination, should they occur, do
4 not provide grounds of invalidity. Absent proof of inequitable conduct, the examiner's or the
5 applicant's absolute compliance with the internal rules of patent examination becomes irrelevant
6 after the patent has issued." Magnivision Inc. v. Bonneau Co., 115 F.3d 956, 960 (Fed. Cir. 1997).
7 The Federal Circuit explains that "There is good reason not to permit procedural irregularities
8 during prosecution, such as the one at issue here, to provide a basis for invalidity. Once a patent
9 has issued, the procedural minutiae of prosecution have little relevance to the metes and bounds of
10 the patentee's right to exclude. If any prosecution irregularity or procedural lapse, however minor,
11 became grist for a later assertion of invalidity, accused infringers would inundate the courts with
12 arguments relating to every minor transgression they could comb from the file wrapper. This
13 deluge would only detract focus from the important legal issues to be resolved--primarily,
14 infringement and invalidity." Aristocrat Techs. Austl. Pty Ltd. v. Int'l Game Tech., 543 F.3d 657,
15 663 (Fed. Cir. 2008) (discussing the procedure for revival of abandoned patent application).
16 Defendants' objections with respect to Section 132 are procedural objections. There is nothing to
17 suggest that the alleged violation of Section 132 went to the 885 Patent's utility, eligibility,
18 novelty, or nonobviousness. Any claim of inequitable conduct is not suitable for resolution on a
19 motion on the pleadings basis.

20 21 **2. Section 112**

22 Defendants make the argument that Section 112 has been violated because the amendment
23 to the 908 Application should not be considered. Several cases have analyzed the situation as a
24 violation of Section 112 rather than that of Section 132. "Under 35 U.S.C. § 132, '[n]o
25 amendment shall introduce new matter into the disclosure of the invention.' Where an amendment
26 adds new matter upon reexamination, the USPTO Examiner must reject the claim on the ground
27 that the claim recites elements without support in the original disclosure under § 112(a)." STX,
28 LLC v. Epoch Lacrosse, LLC, 2015 U.S. Dist. LEXIS 166690, *16 (D. Md. Dec. 14, 2015), citing

1 Walkdemer Link, GmbH & Co. v. Osteonics Corp., 32 F.3d 556, 559 (Fed. Cir. 1994). Section
2 282(a)(3)(A) does state that a violation of Section 112 will result in the invalidity of an issued
3 patent.

4 Defendants argue that the HWC did not follow the applicable patent regulations, causing a
5 Section 112 violation. This is significant because, as formulated by Defendants, HWC has only
6 violated Section 112 if the amendment to the 908 Application is deemed ineffective. “[T]he
7 function of section 112 in ensuring complete public disclosure is only violated if the disclosure is
8 not complete at the time it is made public, i.e., at the issue date.” In re Hawkins, 486 F.2d 569, 574
9 (C.C.P.A. 1973); Feldman v. Aunstrup, 517 F.2d 1351, 1355 (C.C.P.A. 1975); Nomadix, Inc. v.
10 Second Rule LLC, 2009 U.S. Dist. LEXIS 138174, *62 (C.D. Cal. Jan. 16, 2009); TQ Delta, LLC
11 v. 2Wire, Inc., 2018 U.S. Dist. LEXIS 110546, *14 (D. Del. July 3, 2018). An incomplete
12 disclosure in the initial application that is then properly fixed by an amendment does not violate
13 Section 112.

14 Defendants acknowledge that the applicable regulations allow for correction of ineffective
15 incorporation by reference but argue that HWC could not avail itself of that option in this case.
16 Defendants state that “Once the bale sampling device was added to the claims by amendment
17 (making support for that language essential), no mechanism in 37 C.F.R. § 1.57, nor any other
18 Patent Office statute or regulation, at any time could have fixed the Plaintiffs’ inability to
19 incorporate by reference essential material from the ‘812 Provisional.” Doc. 73, 7:3-6. That
20 assertion is not supported by convincing legal authority. The regulations on incorporating
21 essential material is stated as “‘Essential material’ may be incorporated by reference, but only by
22 way of an incorporation by reference to a U.S. patent or U.S. patent application publication, which
23 patent or patent application publication does not itself incorporate such essential material by
24 reference.” 37 C.F.R. § 1.57(c) (2009). That regulation specifically allows for correction of
25 incorporation mistakes to Section 1.57(c): “An incorporation of material by reference that does not
26 comply with paragraphs (b), (c), or (d) of this section is not effective to incorporate such material
27 unless corrected within any time period set by the Office, but in no case later than the close of
28 prosecution as defined by § 1.114(b), or abandonment of the application, whichever occurs

1 earlier.” 37 C.F.R. § 1.57(g) (2009).³ HWC amended the 908 Application to remove the reference
2 to the 812 Provisional and instead put in the drawing of the bale sampling device directly.
3 Dealing with an older version of incorporation by reference rules, the U.S. Court of Customs and
4 Patent Appeals stated in a directly analogous situation: “‘Essential material’ may not be
5 incorporated by reference to (1) patents issued by foreign countries, to (2) nonpatent publications,
6 or to (3) a patent or application which itself incorporates ‘essential material’ by reference. In such
7 a case, as well as any other case which is not entitled to incorporate essential material by
8 reference, the applicant will be required to amend the disclosure to include the material
9 incorporated by reference. The amendment must be accompanied by an affidavit or declaration
10 executed by the applicant, or his attorney or agent of record, stating that the amendatory material
11 consists of the same material incorporated by reference in the referencing application.” In re
12 Hawkins, 486 F.2d 569, 574 (C.C.P.A. 1973). HWC appears to have successfully complied with
13 37 C.F.R. § 1.57(g) (2009) in amending the 908 Application and the Patent Office accepted that
14 filing as proper. Defendants have not demonstrated a Section 112 violation.

15 Even assuming *arguendo* that the regulations on amendment procedure were not strictly
16 followed, Defendants have not provided a sufficient basis for declaring the 885 Patent at this stage
17 of litigation. On the base question of whether the amendment constituted new matter, Plaintiffs
18

19 ³ There is a separate argument to be made that the time for resorting to 37 C.F.R. § 1.57(g) (2009)
20 had passed with the issuance of the Notice of Allowance in the 908 Application, but that theory
21 has not been argued by Defendants. See Doc. 73, 6:26 (“Timing is Irrelevant to Plaintiffs’
22 Ineffective Incorporation by Reference”). Plaintiffs point out that the then operative Manual of
23 Patent Examining Procedure, Eighth Edition, Revision 9, issued August 2012, describes the
24 limitation on timing as follows: “An incorporation by reference that does not comply with 37 CFR
25 1.57(b), (c), or (d) is not effective to incorporate such material **unless corrected within any time**
26 **period set by the Office (should the noncompliant incorporation by reference be first noticed by**
27 **the Office and applicant informed thereof)**, but in no case later than the close of prosecution as
28 defined by 37 CFR 1.114(b) (should applicant be the first to notice the noncompliant incorporation
by reference and the Office informed thereof), or abandonment of the application, whichever
occurs earlier.” MPEP § 608.01(p)(I)(A)(2) (2013), emphasis added. The wording is awkward but
suggests that HWC validly made the correction by following the directions of the Notice of
Allowance. Further, the Patent Office’s own execution of procedures should be accepted. See
Racing Optics, Inc. v. Aevoe Corp., 195 F. Supp. 3d 1140, 1144 (D. Nev. 2016) (in a question of
abandonment, court examine whether statutes were complied with but will not examine whether
Patent Office rules of practice were followed).

1 argue that the additional material in the amendment was nonessential when the 908 Application
2 was filed and thus the original incorporation by reference was valid. Doc. 72, 2:21-23. Plaintiffs
3 again point to the Manual of Patent Examining Procedure which suggests that if the
4 characterization of material changes from nonessential to essential, the applicant can file an
5 amendment late in the process to comply with the incorporation rules. MPEP § 608.01(p)(I)(A)(2)
6 (2013), Example 2. “The question whether new matter has been added to an application is a
7 question of fact....Moreover, in the context of a validity challenge based on new matter, the fact
8 that the United States Patent and Trademark Office...has allowed an amendment without objection
9 ‘is entitled to an especially weighty presumption of correctness’ in a subsequent validity challenge
10 based on the alleged introduction of new matter.” Commonwealth Sci. & Indus. Research
11 Organisation v. Buffalo Tech. (USA), Inc., 542 F.3d 1363, 1380 (Fed. Cir. 2008), quoting
12 Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1574-75 (Fed. Cir. 1992).
13 “Whether particular technological information is ‘new matter’ depends on the facts of the case: the
14 nature of the disclosure, the state of the art, and the nature of the added matter.” Brooktree Corp.
15 v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1574 (Fed. Cir. 1992). There is incomplete
16 argumentation and factual record regarding the determination of whether/when the bag sampling
17 device was/became essential. This is an issue that is better addressed at a later stage of litigation.
18

19 IV. Order

20 Defendants’ motion for judgment on the pleadings is DENIED.

21 IT IS SO ORDERED.

22 Dated: September 26, 2018

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25 SENIOR DISTRICT JUDGE
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