

UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

STC.UNM,

Plaintiff,

v.

INTEL CORPORATION,

Defendant.

Civil No. 1:10-cv-01077-RB-WDS

INTEL'S RESPONSE TO STC'S SUBMISSION OF SUPPLEMENTAL
AUTHORITY REGARDING STC'S MOTION TO DISMISS
INTEL'S INEQUITABLE CONDUCT ALLEGATIONS

By agreement of the parties and Order of the Court [Doc. No. 102], Intel submits this response to STC's Submission of Supplemental Authority Regarding STC's Motion to Dismiss [Doc. No. 101]. As shown below, STC's Submission neglects to mention an important aspect of the Federal Circuit's recent *en banc* decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, 2011 WL 2028255 (May 25, 2011), and then proceeds to misapply that decision to the facts of this case and Intel's pleading.

The Federal Circuit majority did adopt a general rule that inequitable conduct claims based on a patent applicant's failure to disclose a prior art reference to the PTO require proof of "but-for materiality"—*i.e.*, that the PTO would have disallowed one or more patent claims if it had known of the undisclosed reference. But the Federal Circuit pointedly distinguished "mere nondisclosure of prior art references" from "cases of affirmative egregious misconduct," *Id.* at *12. And it expressly held that but-for materiality is *not* required in cases of "affirmative acts of

egregious misconduct, such as the filing of an unmistakably false affidavit.” *Id.* Instead, such affirmative misconduct is material *per se.* *Id.* Indeed, the majority provided a detailed historical analysis of Supreme Court case law supporting its view that such affirmative misconduct is the fundamental core of the doctrines of inequitable conduct and “unclean hands.” *Id.* at *4-6, *12.

Here, Intel’s primary ground for claiming inequitable conduct is *not* mere failure to disclose a prior art reference. Intel primarily alleges that STC deliberately and affirmatively deceived the PTO into issuing a “Certificate of Correction” stating that the ’998 patent was a “continuation-in-part” of an earlier Brueck/Zaidi patent (the ’321 patent). [See Doc. No. 38, ¶¶ 20-29, 31-45, 65, 67, 71-94]. As explained in Intel’s pleading [*id.*] and its opposition to STC’s motion to dismiss [Doc. No. 51], shortly after STC began trying to enforce the ’998 patent, STC sought to backdate the patent’s effective filing date so that it could avoid invalidation by a prior art reference (the ’258 patent) raised by one of the targets of its enforcement campaign. STC could and should have asked the PTO to reissue the ’998 patent as a continuation-in-part of the ’321 patent. But if STC had done that, it would have had to disclose the ’258 patent, it would have had to identify precisely where the ’321 patent application’s specification supported the ’998 patent claims, and it would have had to explain away the named inventors’ vehement, repeated assertions during the original prosecution that there was no connection between the inventions claimed in the ’998 patent and ’321 patents. Instead, STC pursued the summary “Certificate of Correction” procedure, which entails far less scrutiny. To get the PTO to issue the “correction” and backdate the ’998 patent with minimal review, STC and its counsel affirmatively misrepresented that the applicants’ failure to claim priority to the ’321 patent when prosecuting the ’998 patent was a mere “clerical mistake.”

Intel's allegation of inequitable conduct in connection with the Certificate of Correction is consistent with *Therasense* for two reasons:

1. Intel alleges affirmative egregious misconduct, which is material *per se*. STC falsely claimed to the PTO that it was merely seeking to correct a "clerical mistake" when, in truth, the applicants never thought they deserved priority to the '321 patent. Contrary to STC's suggestion, the PTO was *not* aware that STC's claim of "clerical mistake" was false. Nor was the PTO aware of STC's ulterior motive for pursuing "correction" rather than reissue.

2. Intel can establish but-for materiality even if STC's misconduct does not qualify as affirmative egregious misconduct. Intel contends that if STC had been honest and asked the PTO to reissue the '998 patent with an earlier priority date, STC would have been forced to disclose the '258 patent and the PTO would have disallowed one or more claims of the '998 patent because they lacked support in the '321 patent application.

Of course, Intel drafted its pleading before *Therasense*, so it could not have anticipated and did not use *Therasense*'s precise terminology. Accordingly, to the extent the Court concludes that Intel's current pleading regarding the Certificate of Correction does not satisfy the newly announced standards, Intel requests (and the Court should grant) leave to replead.

Intel's answer and counterclaims also include an alternative ground for finding inequitable conduct, a theory involving the applicants' failure to disclose during the original prosecution an article that two of them (Brueck and Zaidi) published years before. [See Doc. No. 38, ¶¶ 30, 66, 68-70] As to this ground, STC's Submission offers no new argument based on *Therasense* and instead rehashes its earlier argument that its Certificate of Correction eliminated the article as prior art. Intel's Opposition already rebuts this point. [Doc. No. 50 at 16-17]

Nevertheless, Intel acknowledges that its alternative theory alleges “mere” failure to disclose the Brueck/Zaidi article, and that *Therasense* thus requires proof that the PTO would have rejected one or more claims if the applicants had disclosed the article. Intel doubts that it can satisfy the newly heightened standard and therefore agrees to strike the corresponding portions of its Fifth Affirmative Defense and Third Counterclaim. Intel’s agreement assumes that *Therasense* remains good law, and Intel reserves the right to move to reinstate its allegation of failure to disclose the Brueck/Zaidi article if the Supreme Court or Congress alters the but-for materiality standard adopted in *Therasense*.

Dated: June 9, 2011.

Respectfully submitted,

ATKINSON, THAL & BAKER, P.C.

/s/ Clifford K. Atkinson

Clifford K. Atkinson

Douglas A. Baker

Justin D. Rodriguez

201 Third Street, N.W., Suite 1850

Albuquerque, New Mexico 87102

(505) 764-8111

KEKER & VAN NEST LLP

Robert A. Van Nest

Brian L. Ferrall

PERKINS COIE LLP

Chad S. Campbell

Timothy J. Franks

Attorneys for Defendant

Intel Corporation

Certificate of Service

The undersigned hereby certifies that on June 9, 2011, the foregoing document was electronically filed with the Clerk of Court using the CM/ECF system, which will automatically send notification of such filing to all counsel who have entered an appearance in this action.

ATKINSON, THAL & BAKER, P.C.

/s/ Justin D. Rodriguez
Justin D. Rodriguez