

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW MEXICO

STC.UNM,

Plaintiff,

Civil No. 10-CV-01077

v.

INTEL CORPORATION,

Defendant.

**INTEL'S RESPONSE TO STC'S OBJECTIONS TO THE  
MAGISTRATE JUDGE'S REPORT AND RECOMMENDATIONS  
ON STC'S MOTION TO DISMISS AND STRIKE  
INTEL'S INEQUITABLE CONDUCT ALLEGATIONS**

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## Introduction

Magistrate Judge Schneider's Report and Recommendations to deny STC's motion to dismiss and strike Intel's inequitable conduct claims reached the right result for the right reasons and should be adopted by the Court. Intel's pleading alleges that STC sought to save its patent by using a procedure that is available only to correct "mistakes." But the "mistake" that STC sought to "correct" was no mistake at all—it was the result of a conscious and voluntary strategic decision. Thus, STC could apply for a "Certificate of Correction" only by intentionally making a material misrepresentation to the United States Patent and Trademark Office ("PTO") about the nature of the change it was seeking. But for that misrepresentation, STC never could have applied for, and thus never would have received, the Certificate of Correction.

STC's complaint against Intel targets the world's most advanced semiconductor manufacturing processes and is another in a string of efforts by STC to extract royalties for the alleged practice of U.S. Patent No. 6,042,998 (the "'998 patent" or "STC's patent"). Intel denies infringement and asserts that the '998 patent is invalid. In conducting its investigation, however, Intel has also discovered that STC affirmatively and intentionally made material false statements to the PTO in 2008 in an attempt to preserve and strengthen the '998 patent. STC's actions constituted inequitable conduct and form the basis for Intel's third counterclaim for declaratory relief and corresponding affirmative defense. STC's procedural motion seeks to shut the door on Intel's inequitable conduct contentions before the Court has a chance to hear the evidence.

Because the patent application process is almost exclusively *ex parte* (only the applicant and the PTO are involved), the governing law demands that patent applicants be candid to the PTO about facts that could be material to patentability. An applicant that

makes a material misrepresentation or omission with the intent to deceive the PTO engages in inequitable conduct. A court may remedy inequitable conduct by declaring a patent unenforceable.

The '998 patent was originally granted to UNM inventors in March 2000; UNM subsequently assigned it to STC in August 2007. STC engaged in inequitable conduct in 2008, shortly after it began to demand royalty payments from various semiconductor manufacturers for allegedly practicing the invention claimed in its patent. During discussions with those targets, STC became aware of U.S. Patent No. 5,523,258 (the "Prior Art Patent"). The Prior Art Patent predates STC's patent and discloses semiconductor processing techniques identical to the way STC proposes to interpret its patent. As such, Intel alleges, the Prior Art Patent would invalidate many of the claims of the '998 patent.

This posed a serious problem for STC: it could claim that the potential licensees practiced its patent only if the patent were construed in a certain way. But if the '998 patent was interpreted in that way, it would be invalid in light of the Prior Art Patent. Obviously, no company would pay to license a patent that it does not practice or that is invalid.

To overcome this problem, STC asked the PTO to move the effective filing date (the "priority date") for the '998 patent back by more than four years. STC's goal was to eliminate the Prior Art Patent as invalidating prior art by arguing that the invention described in its patent had occurred earlier. To obtain this earlier priority date, STC claimed for the first time that the '998 patent descended from an older patent, U.S. Patent No. 5,705,321 (the "'321 patent").

There are two administrative procedures for changing an issued patent's priority date. The first process, known as a patent "reissue" proceeding, reopens the entire patent for reevaluation, requires updated disclosures of known prior art from the applicants, and can

result in scrutiny by the PTO over whether the parent patent does in fact support the alleged child. It consequently can result in the PTO's modifying or rejecting claims. The other process, known as a "Certificate of Correction," is a summary procedure statutorily restricted to fixing "a mistake of a clerical or typographical nature, or of minor character."

Had STC used the reissue proceeding, it would have had to disclose the Prior Art Patent and the PTO would likely have found that some or all of the claims of the '998 patent were invalid or that the claimed priority was not factually supported. Intel alleges that STC did not want to risk that result and therefore chose the summary Certificate of Correction procedure, which involves minimal PTO scrutiny. But in order to do so, it could not be truthful with the PTO about the rationale for its requested "correction." To fit within the statutory requirements for a Certificate of Correction, STC had to and did tell the PTO that it was seeking to correct a minor "mistake." But there was no mistake. The original applicants had made a conscious decision during the application process not to link the '998 patent to the '321 patent because they did not believe there was a proper linkage. In fact, when the PTO originally rejected the application due to the similarity between the '998 and '321 patents, the applicants vigorously contended that the two patents were very different.

STC's scheme worked. By seeking a Certificate of Correction on the false grounds of "mistake," STC avoided disclosing the Prior Art Patent and avoided scrutiny of the validity of its patent or the merits of its priority assertion. The PTO approved the Request for Certificate of Correction, and STC now relies on that Certificate in claiming a priority date based on the filing date of the earlier '321 patent in this litigation against Intel.

STC's motion to dismiss Intel's inequitable conduct counterclaim and strike Intel's related affirmative defense should be denied because Intel has alleged detailed facts that

STC made an intentional and material misrepresentation to the PTO when it petitioned to backdate the '998 patent eight years after that patent issued. Magistrate Judge Schneider has agreed and recommended that STC's motion be denied. The Court should adopt that recommendation.

STC objects to Magistrate Judge Schneider's report and recommendation on the ground that he failed to consider a recent appellate decision on inequitable conduct, *Therasense, Inc. v. Becton, Dickinson & Co.*, Nos. 2008-1511, 1512-14, and 1595, 2011 WL 2028255 (Fed. Cir. May 25, 2011) (en banc). But the parties filed supplemental briefs discussing *Therasense* before the motion was referred, and Magistrate Judge Schneider's recommendation is fully consistent with that case. Although *Therasense* adjusted the standard for materiality, it recognized that misconduct that would have led the PTO to reject at least one claim is material and that "affirmative egregious misconduct" is material in any event. Intel's allegations satisfy both standards.

Nor did Magistrate Judge Schneider improperly shift the burden to STC to disprove that it had committed inequitable conduct. Rather, he correctly assumed that the facts alleged by Intel were true, and then held that those allegations were sufficient to state such a claim and that STC would have the opportunity to respond on the merits during the case. Because Intel has pleaded more than sufficient facts to state a claim, Intel is entitled to take discovery about and prove the extraordinary and deceptive measures that STC took to salvage its patent.

Magistrate Judge Schneider got it right. His recommendation to deny STC's motion should be adopted.



## Relevant History of the '998 patent

### A. During the Application Process, UNM and the Inventors Repeatedly Argued that the '998 patent was Unrelated to the '321 Patent

The original applicants filed their patent application with the PTO on September 17, 1997. *See Intel's Answer and First Amended Counterclaims ("AAC")* ¶ 71 (Doc. No. 38); Exhibit A (timeline chronology). That application did not claim to be derived from any other patent, in whole or in part. *Id.*<sup>1</sup>

The PTO examiner twice rejected their application as claiming the same invention as the '321 patent and as not novel in view of the '321 patent. In response, the applicants twice argued that the invention claimed in their application was significantly *different* from anything disclosed or claimed in the '321 patent. AAC ¶¶ 74-75. In conjunction with these arguments, the applicants amended their pending claims to further distinguish them from the '321 patent. *Id.* ¶ 77. The original applications avoided the PTO's ultimate resolution of the applicants' arguments for patentability, however, by voluntarily filing a "Terminal Disclaimer" "in order to expedite prosecution." *Id.* ¶ 78. The effect of the Terminal Disclaimer was to disclaim the tail-end of the term of any issued patent to the extent it would extend beyond the term of the '321 patent. *Id.* Based on the Terminal Disclaimer, the '998 patent issued on March 28, 2000. *Id.* ¶ 80. UNM did nothing with the patent for many years, before assigning the '998 patent to its licensing entity (STC) in late 2007.

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<sup>1</sup> There are several ways in which a patent may claim that its effective filing date is the filing date of an earlier patent. *See generally* 35 U.S.C. §§ 119-121. Relevant here are "continuation" patents (where the child patent contains the identical disclosure as the parent patent) and "continuation-in-part" patents (where the child patent repeats a substantial portion of the disclosure of the parent patent, but also contains "new matter"). Unlike a continuation patent, which automatically receives the priority date of its parent, claims in a continuation-in-part patent are entitled to the earlier priority date of its parent only to the extent that the claims were supported in the parent application. *See* PTO, *Manual of Patent Examining Procedure* ("MPEP") § 201.08 (submitted herewith as Exhibit B).

**B. STC Quickly Learned of Invalidating Prior Art When It Tried to Obtain Licensing Fees for the '998 Patent**

Shortly after acquiring the '998 patent, STC sought to obtain licensing fees. But its targets informed it that the patent was invalid in light of the Prior Art Patent. AAC ¶ 82. At that time, the earliest priority date that STC could claim was the September 17, 1997, filing date of the original application. The Prior Art Patent, entitled "Method for Avoiding Lithographic Rounding Effects for Semiconductor Fabrication," was applied for in April 1994 and issued in June 1996. It thus was prior art under at least 35 U.S.C. §§ 102(b) and 102(e). Although a detailed discussion is beyond the scope of this motion, Intel contends the Prior Art Patent invalidated at least some of the '998 patent claims. AAC ¶¶ 44, 86.

**C. To Overcome the Prior Art Patent, STC Sought to Backdate the '998 Patent by Intentionally Misrepresenting that the Applicants' Failure to Claim Priority to the '321 Patent Had Been a "Mistake"**

To salvage the '998 patent and continue its efforts to extract royalties from industry leaders, STC embarked on a plan to backdate its patent's application date to the 1993 filing date of the '321 patent and thereby eliminate the Prior Art Patent as invalidating prior art. To do this, STC had to contradict the inventors and assert, for the first time, that the '998 patent was a "continuation-in-part" of the '321 patent, and therefore deserved the priority date of the '321 patent, which was four years earlier than the date previously claimed by the inventors. *Id.* ¶¶ 74, 83. STC executed this strategy even though the inventors did not believe the '998 patent was a continuation-in-part of the '321 patent. *Id.* ¶¶ 76, 86.

STC could have sought "continuation-in-part" status without having to resort to deception if it had reopened the examination of the '998 patent through a "reissue" proceeding under 35 U.S.C. § 251. But doing so would have required STC to disclose the Prior Art Patent to the PTO pursuant to its duty of candor. *See* 37 C.F.R. § 1.56(b)(1) (PTO rule setting forth the duty to disclose information material to patentability, including

noncumulative information that “establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim”), § 1.56(e) (requiring disclosure of “all information known to the person to be material ... which became available between the filing date of the prior application and the national or PCT international filing date of the continuation-in-part application). Moreover, during reissue, the PTO would have assessed (1) whether each claim of the ’998 patent deserved the priority date of the ’321 patent (*i.e.*, if, contrary to what the inventors had previously argued, there was support in the ’321 patent for the ’998 patent claims) and (2) whether the Prior Art Patent (or other prior art) invalidated one or more claims of the ’998 patent. AAC ¶ 87. The PTO would have rejected as invalid any claim that did not deserve the earlier priority date and that was anticipated or rendered obvious by the Prior Art Patent. *Id.*

Intel alleges that STC was unwilling to take that risk and instead chose to claim priority by way of a Certificate of Correction. Under 35 U.S.C. § 255, a patentee may correct “**a mistake of a clerical or typographical nature, or of minor character**” by seeking a Certification of Correction. The PTO’s review process for Certificate of Corrections is superficial; indeed, the statute expressly prohibits corrections that would require substantive reexamination. To avoid substantive review yet achieve “continuation-in-part” status, STC told the PTO that the omission of a claim priority in the ’998 patent to the ’321 patent was a “clerical mistake.” AAC ¶¶ 35, 88. STC never informed the PTO that the failure to claim priority was in reality a conscious decision based on the actual belief of the inventors, or that STC had later learned that the claims of the ’998 patent might be invalid in light of the Prior Art Patent unless the ’998 patent were given the priority date of the ’321 patent. *Id.* ¶ 89. Ignorant of these facts, an examiner (different from the one who

handled the initial prosecution) granted the Certificate of Correction on November 25, 2008—without examination—just a month after it had been sought. *Id.* ¶ 92.

### Relevant Procedural History

Intel's original Answer and Counterclaims asserted both an affirmative defense of inequitable conduct and claims for declaratory relief of noninfringement, invalidity and patent unenforceability based on inequitable conduct. Doc. No. 26 at ¶¶ 20-45; 58-74. STC moved to dismiss Intel's unenforceability counterclaim without first initiating the required meet-and-confer under Local Rule 7.1(a). Doc. No. 29. STC did not move to strike Intel's affirmative defense of inequitable conduct or any other part of Intel's answer and counterclaims.

Although Intel believed its original counterclaim was properly pleaded, it chose to amend its counterclaim under Fed. R. Civ. P. 15(a)(1)(B) in the interest of conserving judicial resources. Doc. No. 38. Intel did not amend its affirmative defense of inequitable conduct, which STC had not challenged.

STC renewed its motion to dismiss, this time also moving to strike Intel's unenforceability affirmative defense. Doc. No. 45. After briefing on STC's renewed motion was complete, the Federal Circuit issued a new opinion concerning inequitable conduct. *Therasense, Inc. v. Becton, Dickinson & Co.*, Nos. 2008-1511, 1512-14, and 1595, 2011 WL 2028255 (May 25, 2011) (en banc). The parties thereafter filed supplemental memoranda addressing the effect of *Therasense* on STC's motion. Doc. Nos. 101, 103.<sup>2</sup>

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<sup>2</sup> Intel's counterclaim and affirmative defense also raised a second, independent ground of inequitable conduct: the applicants' failure to disclose during the initial prosecution an article that two of them (Brueck and Zaidi) had published years before. Intel concluded that that theory of inequitable conduct was no longer tenable after *Therasense* and agreed to withdraw it (with a reservation of its right to move to reinstate that allegation if the Supreme Court or Congress alters the materiality standard adopted in *Therasense*). Doc. No. 103 at 4.

This Court referred the matter to Magistrate Judge Schneider for a recommended disposition. Doc. No. 132. On August 25, 2011, Magistrate Judge Schneider issued a Report recommending that STC's motion be denied. Doc. No. 140.

### Argument

**A. Magistrate Judge Schneider Correctly Found that Intel Has Stated a Claim Based on STC's Misrepresentation that the Previous Failure to Assert Earlier Priority Had Been a "Mistake"**

Inequitable conduct is "an equitable defense to patent infringement that, if proved, bars enforcement of a patent." *Therasense*, 2011 WL 2028255, at \*4. The doctrine of inequitable conduct evolved from "Supreme Court cases that applied the doctrine of unclean hands to dismiss patent cases involving egregious misconduct." *Id.*

Application of the doctrine of inequitable conduct protects the public from patents that were procured through fraud or violation of the "duty of candor" that is imposed on all "individual[s] associated with the filing and prosecution of a patent application." 37 C.F.R. § 1.56(a). As the regulations recite, "[a] patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability." *Id.*

Where alleged inequitable conduct is based on the applicant's failure to disclose a prior art reference to the PTO, the defendant must establish "but-for materiality"—*i.e.*, that the PTO would have disallowed one or more claims if it had known of the undisclosed reference. *Therasense*, 2011 WL 2028255, at \*11. But-for materiality is not required, however, where the applicant engaged in "affirmative egregious misconduct." *Id.* at \*12. Instead, such affirmative misconduct is deemed material *per se*. *Id.* "Egregious

misconduct” includes, but is not limited to, acts such as “the filing of false affidavits.” *Id.* at \*13.

Intel’s counterclaim and affirmative defenses satisfy the standards set forth in *Therasense*. To begin with, Intel alleges affirmative egregious misconduct. STC misrepresented to the PTO that it was merely seeking to “correct” a “mistake” when, in truth, the applicants had analyzed the issue on multiple occasions after the examiner’s double patenting rejections and had affirmatively concluded—and argued—that there was *no* priority to the ’321 patent. STC makes an inapt analogy (at 8) that its failure to disclose that information was no more material than would be the failure to attach the entire ECF file as exhibits to a motion. To the contrary, in light of those undisclosed facts, STC had no lawful entitlement to seek a certificate of correction in the first place. Moreover, the PTO would have wanted to know that STC’s claim of “mistake” was false and that STC was pursuing a ministerial “correction” to avoid the disclosure requirements of the reissue procedure. For this reason, STC’s misconduct also satisfies the but-for materiality standard of *Therasense*. 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 Prior Art Patent, causing the PTO to disallow one or more claims of the ’998 patent and find that, as originally argued by the inventors, there was no factual basis in the ’321 patent for the priority request.

Magistrate Judge Schneider properly recommended that STC’s motion be denied because Intel’s allegations, if proven, could establish inequitable conduct under the law both before and after *Therasense*. See *Begay v. Pub. Serv. Co. of N.M.*, 710 F. Supp. 2d 1161, 1180 (D.N.M. 2010) (on a motion to dismiss, the court must accept as true all factual

allegations in the pleadings and view those allegations in the light most favorable to the non-moving party) (citing *Moore v. Guthrie*, 438 F.3d 1036, 1039 (10th Cir. 2006)).<sup>3</sup>

**1. STC Engaged in “Affirmative Egregious Misconduct” When It Affirmatively Misrepresented to the PTO that Past Failure to Claim Priority to the ’321 Patent Was a Mere “Mistake”**

Intel has satisfied the standard for inequitable conduct set forth in *Therasense* by pleading facts showing that STC engaged in “affirmative egregious misconduct.” STC’s assertion to the PTO that it was merely seeking to correct a “mistake” was an egregious misstatement of the truth. The original prosecution history of the ’998 patent demonstrates that the inventors’ failure to claim priority during the eight years that UNM owned the patent was far from a mistake: it was a deliberate decision, one they argued vociferously to the PTO on multiple occasions. Intel alleges that when STC decided much later to seek an earlier priority date as part of its efforts to make money off of the ’998 patent, STC chose an avenue intentionally calculated to keep the PTO in the dark about these highly material facts. STC wanted to avoid any substantive review of its entitlement to an earlier priority date and of the validity of the ’998 patent in light of the Prior Art Patent. These allegations support Intel’s contention that STC engaged in a “‘deliberately planned and carefully executed scheme’ to defraud the PTO and the courts,” separate and apart from meeting the but-for materiality standard. *Therasense*, 2011 WL 2028255, at \*12 (quoting *Hazel-Atlas Glass Co. v. Harford-Empire Co.*, 322 U.S. 238, 245 (1944)).

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<sup>3</sup> Of course, Intel’s pleading did not use the magic words “affirmative egregious misconduct” and “but-for causation” because it was drafted before *Therasense* issued. Intel submits, however, that the pleaded facts satisfy *Therasense*. In any event, even if the Court concludes that Intel’s pleading does not satisfy the newly announced standards, the Court should grant Intel leave to replead in light of *Therasense*. As shown in the ensuing sections, STC’s argument that amendment would be futile is mistaken.

Asking the PTO to reissue the '998 patent as a continuation-in-part of the '321 patent was the only lawful way for STC to seek an earlier priority date. But if STC had done that, it would have had to disclose the Prior Art 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 inventors' vehement, repeated assertions during the original prosecution that there was no connection between the inventions claimed in the STC and '321 patents. AAC ¶¶ 20-29, 31-45, 65, 67, 71-94.

Instead, STC pursued a "Certificate of Correction," which entails far less scrutiny. Under the law, a Certificate of Correction is available only to correct "a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the Patent and Trademark Office ...." 35 U.S.C. § 255. "[C]lerical or typographical mistakes are generally understood to include simple mistakes such as obvious misspellings that are immediately apparent." *Super. Fireplace Co. v. Majestic Prods. Co.*, 270 F.3d 1358, 1369-70 (Fed. Cir. 2001). Importantly for present purposes, "whether [an] error and its correction would both be clearly evident to one of skill in the art, has been treated as a factual question." *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1354 (Fed. Cir. 2007).

STC contends (at 12-13) that its actions were not "egregious" because it simply "used the wrong term in describing the mistake a[s] 'clerical' instead of 'minor.'" That is not the issue. Instead, by the very act of seeking a Certificate of Correction, STC **had** to knowingly misrepresent to the PTO that the applicants' failure to claim priority to the '321 patent when prosecuting the '998 patent had been a mere "mistake." Otherwise, it could not avail itself of the Certificate of Correction procedure. But failure to claim priority to the '321 patent during the original prosecution was not a mistake at all. It was a conscious



decision, consistent with the applicants' firmly held belief that the '998 patent reflects a different invention. AAC ¶¶ 45, 79, 86, 93. As Magistrate Judge Schneider correctly concluded, "this case does not present a situation in which the priority date for the '998 patent was changed, but the change was not documented by the PTO." Doc. No. 140 at 4; *id.* at 6 ("In the Court's opinion at this point in the case, the failure to use a procedure to change a priority date is not a clerical error.").

A Certificate of Correction should not be used for changes to a patent that are not obvious, and that the public would not expect or have notice of before the Certificate issued. *See Super. Fireplace*, 270 F.3d at 1371 (noting that a Certificate of Correction cannot be used to broaden a claim when such correction would not be obvious to the public). Far from being an "obvious" error, the correction of which would be clear to the public, the applicants' failure to claim priority was consistent with their arguments distinguishing their proposed claims from the '321 patent. ACC ¶¶ 75-77. The public had no reason to think the applicants would claim priority back to the '321 patent, much less understand the applicants to have simply made a mistake in failing to do so. *Id.* ¶¶ 45, 79, 86, 93.

STC is also wrong in contending (at 12-13) that it had the right to seek a certificate of correction because the change in priority date would not affect the scope of the patent. To begin with, the change in priority date is a material fact that can affect the scope of the patent. Intel contends that without the backdating, at least some claims would clearly be invalid in light of at least the Prior Art Patent. As a practical matter, the backdating has expanded the potential enforceable scope of STC's patent. In any event, STC's argument incorrectly assumes that a certificate of correction is appropriate for any requested change that does not affect the scope of the patent. The very passage from the MPEP that STC cites

makes clear that a change in the scope of the patent is only one example of the type of a change that must be sought through reissue rather than a certificate of correction:

Two separate statutory requirements must be met before a Certificate of Correction for an applicant's mistake may issue. The first statutory requirement concerns the nature, i.e., type, of the mistake for which a correction is sought. The mistake must be:

- (1) of a clerical nature,
- (2) of a typographical nature, or
- (3) a mistake of minor character.

The second statutory requirement concerns the nature of the proposed correction. The correction must not involve changes which would:

- (1) constitute new matter or
- (2) require reexamination.

*If the above criteria are not satisfied, then a Certificate of Correction for an applicant's mistake will not issue, and reissue must be employed as the vehicle to "correct" the patent. Usually, any mistake affecting claim scope must be corrected by reissue.*

*A mistake is not considered to be of the "minor" character required for the issuance of a Certificate of Correction if the requested change would materially affect the scope or meaning of the patent. ...*

MPEP § 1481 (emphasis added). Only clerical, typographical, and similar "minor mistakes" are correctable through a Certificate of Correction. As alleged in Intel's pleading, STC knew based on the earlier prosecution history of its patent that that was not the situation here, yet it nevertheless intentionally and improperly employed the Certificate of Correction procedure.

**2. STC's False Assertion that It Was Merely Correcting a "Mistake" Also Meets But-For Materiality under *Therasense***

Intel's allegations also meet the but-for materiality test under *Therasense*. First, STC would not have received a Certificate of Correction but for its misrepresentation about the inventors' prior decision not to seek an earlier priority date. As discussed above, the statute and PTO permit Certificates of Correction only to correct errors "(1) of a clerical nature, (2) of a typographical nature, or (3) a mistake of minor character." MPEP § 1481. As Magistrate Judge Schneider noted, Intel alleges that none of those criteria were met, and those allegations must be accepted as true. Doc. No. 140 at 5-6. STC's only legitimate option was the reissue procedure.<sup>4</sup>

Second, had STC been honest and sought reissuance rather than a Certificate of Correction, the PTO would have invalidated at least some claims of the '998 patent. As a preliminary matter, STC would have had to disclose the intervening Prior Art Patent to the PTO. *See* 37 C.F.R. § 1.56(b)(1), (e). Disclosure of that intervening art in reissue (which STC avoided by seeking a Certificate of Correction) would have triggered a substantive examination by the PTO on whether each claim of the '998 patent was entitled to the earlier priority date by locating the support for each claim within the specification disclosure of the alleged '321 parent patent. *See* MPEP § 201.08 ("Unless the filing date of the earlier ... application is actually needed, for example, ... to overcome a reference, there is no need for the Office to make a determination as to whether" the later patent claims are supported in the parent patent.).

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<sup>4</sup> To be sure, STC was not required to seek reissue. It could have stood on the original 1997 priority date and been stuck with the resultant invalidity. But doing so would have meant it could not continue to seek licensing fees.

If that had occurred, the PTO would not have allowed all the current claims in the '998 patent to reissue proceedings because (1) the '321 patent does not support all the claims (as repeatedly argued by the inventors themselves), and (2) without the early priority date of the '321 patent, the Prior Art Patent invalidated at least claims 1 and 6. ACC ¶¶ 86, 87. But for STC's misrepresentation to the PTO establishing the supposed basis for seeking a Certificate of Correction, STC could have sought to obtain the early priority date only by following the procedure for reissue, during which the '998 patent would have been subjected to a fatal substantive review.<sup>5</sup>

In arguing that its misrepresentation was immaterial, STC once again misstates the issue. STC contends (at 6-11) that (1) the procedures for obtaining a Certificate of Correction did not require it to disclose the Prior Art Patent and (2) labeling the mistake as "clerical" was immaterial because a Certificate of Correction can be used to amend a patent to include language about the correct priority date. As to the first point, but for its misrepresentation that it was seeking to correct a "mistake," STC could not have availed itself of the procedures for a Certificate of Correction. As to the second point, although a

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<sup>5</sup> STC has previously contended that it had no duty to disclose the Prior Art Patent because it has *now* obtained the Certificate of Correction, and therefore the Prior Art Patent is "no longer [is] prior art." Doc. No. 46 at 12-13. That argument is circular. The Certificate itself was procured by misstatements to the PTO and without telling the PTO about the Prior Art Patent. Moreover, STC's suggestion that the Prior Art Patent is no longer prior art is simply wrong. That patent *is* prior art to any claim in the STC Patent that is not fully supported by the '321 patent. *See Lockwood v. Am. Airlines, Inc.*, 877 F. Supp. 500, 506 (S.D. Cal. 1994) ("According to case law, any claims that are first disclosed in the new materials added to the CIP [continuation-in-part] (and not fully disclosed in the parent application) are not entitled to the parent's filing date-the filing date is the date the CIP was filed."), *aff'd*, 107 F.3d 1565 (Fed. Cir. 1997); *see also* MPEP § 201.11. The PTO never determined whether any claim of the STC Patent was supported in the '321 patent. That would have occurred only if STC had disclosed the intervening prior art, including the Prior Art Patent. *See* MPEP § 201.08 (the examiner should not determine priority unless there is a need to do so for purposes of patentability, such as if there is intervening prior art). Because

Certificate of Correction might be an appropriate device to add a statement about a priority date that had in fact been omitted due to a mistake, such was not the case here. There was no mistake. During the application process for the '998 patent, the applicants made a conscious, intentional decision not to claim priority to the '321 patent. But for STC's misrepresentation that the omission was a "mistake," STC could not have sought and would not have obtained a Certificate of Correction.

STC has argued that the file history of the original prosecution distinguishing the '321 and '998 patents were "of record" and thus its misrepresentation about a "mistake" could not have been material because the PTO through its own diligence should have double-checked these facts on receiving the request for a Certificate of Correction. Doc. No. 46 at 9. But STC's argument turns the duty of candor on its head. The PTO has little choice but to credit applicants' representation that that they made a clerical mistake. (As a result, the main means of ensuring candor before the PTO is the ability of courts to render patents unenforceable that were inequitably obtained and to assess fees and costs against patent holders that insist on asserting such patents.) The PTO cannot read minds and does not take depositions; it normally accepts applicants' sworn statements, and does not have the resources to detect deceit. Indeed, the correction procedure employed by STC was chosen, per Intel's allegations, precisely because it provides for no substantive examination into the underlying facts.

In any event, because an applicant who deceives the PTO cannot immunize itself from a charge of inequitable conduct by blaming the PTO, this argument cannot support STC's motion to dismiss. *See Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556,

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STC hid the Prior Art Patent, the PTO had no reason to assess the priority of the claims. Now, as before, the Prior Art Patent is prior art to the STC Patent. AAC ¶ 90.

1572-73 (Fed. Cir. 1983) (when an applicant commits fraud, it is no defense to posit that the PTO could or should have caught the fraud); *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1576 (Fed. Cir. 1985) (finding that a “lapse on the part of the examiner does not excuse the applicant”).<sup>6</sup>

### Conclusion

Magistrate Judge Schneider was absolutely correct to recommend the denial of STC’s motions to dismiss and to strike. The Court should accept that recommendation. At a minimum, if the Court determines that Intel’s pre-*Therasense* pleading does not satisfy the standards newly announced in that case, the Court should grant Intel leave to replead.

Dated: September 23, 2011.

Respectfully submitted,

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<sup>6</sup> STC also contends (at 14) that the Magistrate Judge erred by “not acknowledge[ing]” that Intel’s inequitable conduct claim is no longer relying on the inventors’ failure to disclose certain prior art during the original application process. But there was nothing for the Magistrate Judge to “acknowledge.” As discussed above, Intel had already withdrawn that portion of its inequitable conduct claim, Doc. No. 103 at 4, and there is no need to strike an allegation that a party has voluntarily withdrawn.

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on September 23, 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/ Clifford K. Atkinson

Clifford K. Atkinson

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