

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 MOTION FOR SUMMARY JUDGMENT OF UNENFORCEABILITY**

— AND —

**MEMORANDUM IN SUPPORT**

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## Table of Contents

Table of Authorities .....	ii
Motion .....	1
Introduction .....	1
Factual Background .....	2
A.    While Prosecuting the '998 Patent, UNM Claimed Sole Ownership of the '998 Patent and Filed a Binding Disclaimer with the PTO Stipulating that the '998 Patent Would Be Enforceable Only While the '998 and '321 Patents Were Commonly Owned .....	2
B.    After Acquiring the '998 Patent, STC Consistently Contended that It Was the Sole Owner of the '998 Patent and that Only UNM Employees Invented the Claimed Invention .....	4
C.    Sandia National Laboratories Has Shared Ownership of the '321 Patent with UNM and Later with STC, But It Has Never Co-Owned the '998 Patent .....	7
D.    Intel Promptly Confronted STC with the Unenforceability of the '998 Patent and Amended Its Pleadings to Assert That Defense, But STC Has Presented No Plausible Response .....	9
Statement of Undisputed Material Facts under D.N.M.LR-Civ. 56.1(b) .....	11
Argument .....	12
A.    Under the Disclaimer Filed to Obtain the '998 Patent, the '998 Patent Is Enforceable Only While It and the '321 Patent Share Common Ownership .....	12
B.    The '998 Patent Has Been Unenforceable for Its Entire Life Because the '998 Patent and the '321 Patent Have Never Had Common Ownership .....	14
C.    STC's Revisionist-History Theory of Co-Ownership Must Be Rejected .....	17
Conclusion and Relief Requested .....	19
Certificate of Service .....	21

## Table of Authorities

Cases	Pages
<i>Alcohol Monitoring Sys., Inc. v. ActSoft, Inc.</i> , Nos. 07–CV–02261–PAB, 08–CV–01226, 2011 WL 5075619 (D. Colo. Oct. 25, 2011) .....	18
<i>Analog Devices, Inc. v. Linear Tech. Corp.</i> , 479 F. Supp. 2d 202 (D. Mass. 2007) .....	18
<i>Bd. of Trs. of the Leland Stanford Jr. Univ. v. Roche Molecular Sys., Inc.</i> , 131 S. Ct. 2188 (2011) .....	2
<i>Enovsys LLC v. Nextel Commc’ns, Inc.</i> , No. CV 06–05306 RSWL (SHx), 2008 U.S. Dist. LEXIS 118191 (C.D. Cal. Feb. 26, 2008) .....	15, 16, 17
<i>Enzo Biochem, Inc. v. Gen-Probe Inc.</i> , 323 F.3d 956 (Fed. Cir. 2002) .....	3
<i>Ex parte Tydings</i> , No. 2007–0393, 2007 Pat. App. LEXIS 3191 (B.P.A.I. May 25, 2007) .....	16
<i>In re Certain Semiconductor Products Made by Advanced Lithography Techniques and Products Containing Same</i> , Inv. No. 337–TA–729 (ITC 2010) .....	6
<i>In re Fallaux</i> , 564 F.3d 1313 (Fed. Cir. 2009) .....	13
<i>In re Van Ornum</i> , 686 F.2d 937 (C.C.P.A. 1982) .....	13
<i>Mathews v. Denver Newspaper Agency LLP</i> , 649 F.3d 1199 (10th Cir. 2011) .....	18
<i>Molins PLC v. Textron, Inc.</i> , 48 F.3d 1172 (Fed. Cir. 1995) .....	3
<i>New Hampshire v. Maine</i> , 532 U.S. 742 (2001) .....	18
<i>Sun Pharm. Indus., Ltd. v. Eli Lilly &amp; Co.</i> , 611 F.3d 1381 (Fed. Cir. 2010) .....	13

<b>Cases (continued)</b>	<b>Pages</b>
<i>Trs. in Bankr. of N. Am. Rubber Thread Co. v. United States</i> , 593 F.3d 1346 (Fed. Cir. 2010) .....	18
<i>Yeda Res. &amp; Dev. Co. v. Imclone Sys. Inc.</i> , 443 F. Supp. 2d 570 (S.D.N.Y. 2006) .....	18
 <b>Statutes and Regulations</b>	
35 U.S.C. § 2(b)(2) .....	3
35 U.S.C. § 102(f) .....	5
35 U.S.C. § 103(c) .....	15
35 U.S.C. § 261 .....	2
37 C.F.R. § 1.321 .....	1, 3, 14
37 C.F.R. § 1.321(a) .....	4, 7
37 C.F.R. § 1.321(b) .....	13
37 C.F.R. § 1.321(b)(1) .....	3
37 C.F.R. § 1.321(c) .....	4, 13
37 C.F.R. § 1.321(c)(3) .....	13
 <b>Rules</b>	
D.N.M.LR-Civ. 7.1(a) .....	1
D.N.M.LR-Civ. 56.1(b) .....	2, 9
 <b>Other Authorities</b>	
<a href="http://www.sandia.gov/about/index.html">http://www.sandia.gov/about/index.html</a> .....	7
U.S. Patent & Trademark Office, Manual of Patent Examining Procedure:	
§ 706.02(I)(2) .....	15
§ 706.02(I)(2)(I) .....	15, 16
§ 804 .....	13
§ 1490 .....	14, 15
§ 1490(V)(A) & (VI) ¶ 14.26.06 .....	3

## **Motion**

Intel Corporation moves for summary judgment on its Third Counterclaim for a declaratory judgment of unenforceability of U.S. Patent No. 6,042,998, and for dismissal of STC.UNM's infringement claim, on grounds that the '998 patent is and always has been unenforceable as a matter of law. This motion is supported by the declaration of counsel Brian L. Ferrall and the documents already on file in this case. Pursuant to D.N.M.LR-Civ. 7.1(a), Intel states that it has conferred in good faith with STC and that STC opposes this motion.

## **Introduction**

This patent infringement case is technically complex, but a few nontechnical and indisputable facts establish that the '998 patent is unenforceable because the '998 patent and an earlier patent (U.S. Patent No. 5,705,321) are not commonly owned, as required by a disclaimer filed with the United States Patent and Trademark Office to obtain the '998 patent.

The '998 patent was prosecuted by STC's namesake and predecessor-in-interest, the University of New Mexico, after the named inventors (all UNM employees) assigned their interests to UNM. As 100% owner, UNM filed a "terminal disclaimer" stipulating that, if issued, the '998 patent "shall be enforceable only for and during such period that [the '998 patent] and the prior ['321] patent are commonly owned." As required by 37 C.F.R. § 1.321, that disclaimer was binding on UNM's successors and assignees.

As a matter of indisputable fact, the '998 and '321 patents have not been commonly owned since the '998 patent issued. UNM and Sandia National Laboratories co-owned the '321 patent from its issue date until UNM assigned its interest to STC in July 2002; since then, STC and Sandia National Laboratories have co-owned the '321 patent. By contrast, UNM *solely*

owned the '998 patent from its issue date until August 2007, when UNM assigned the '998 patent to STC. STC, in turn, *solely* owned the '998 patent at least until a few weeks ago, when Intel confronted STC with the unenforceability problem and STC tried to cure the lack of common ownership by assigning an interest to Sandia *Corporation*. Even if that purported assignment was effective, the two patents still are not commonly owned because, among other reasons, Sandia *National Laboratories* and Sandia *Corporation* are different entities: the former is a U.S. government agency, and the latter is a private contractor.

Because the '998 and '321 patents have never been commonly owned, the '998 patent is and always has been unenforceable as a matter of law. Intel is therefore entitled to summary judgment and dismissal of STC's infringement claim. Even if STC were to show that common ownership was established at some point, the Court should declare the '998 patent unenforceable from issuance until that date, precluding recovery of damages for that period.

### **Factual Background<sup>1</sup>**

#### **A. While Prosecuting the '998 Patent, UNM Claimed Sole Ownership of the '998 Patent and Filed a Binding Disclaimer with the PTO Stipulating that the '998 Patent Would Be Enforceable Only While the '998 and '321 Patents Were Commonly Owned**

Unless a statute provides otherwise, patents and patent applications are initially owned by the named inventors, but they may be assigned to employers or other assignees. *See Bd. of Trs. of the Leland Stanford Jr. Univ. v. Roche Molecular Sys., Inc.*, 131 S. Ct. 2188, 2191 (2011); 35 U.S.C. § 261. In this case, the original applicants for the '998 patent were two UNM employees, Steven Brueck and Saleem Zaidi. Drs. Brueck and Zaidi assigned their interests in

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<sup>1</sup> This section is intended to provide the Court with helpful background information for this motion. The few, straightforward material facts on which this motion ultimately turns appear in a numbered list in the following section, in accordance with D.N.M.LR-Civ. 56.1(b).

the invention, and thus the application, to UNM. [Ferrall Decl. Ex. A] UNM later determined that two other UNM employees, Steve Hersee and Kevin Malloy, were also co-inventors. As discussed below, both UNM and (separately) STC petitioned the PTO to correct the list of inventors appearing on the '998 patent after it issued, but Messrs. Hersee and Malloy both assigned their interests to UNM before the patent issued. [See Ferrall Decl. Ex. B] UNM thus held a 100% ownership interest while it prosecuted the patent application before the PTO.

During the original prosecution of the '998 patent, the PTO rejected various claims on the ground of “obviousness-type double patenting,” contending that the claims were obvious in view of the '321 patent, which is an earlier patent on which Drs. Brueck and Zaidi are also named co-inventors. [Ferrall Decl. Ex. C (10/1/98 rejection) at 5–6, Ex. D (3/15/99 rejection) at 4–6] As discussed in more detail below, a double patenting rejection prevents an applicant from patenting the same invention, or an obvious variant, twice. The examiner concluded that “the [’998] claims, if allowed, would improperly extend the ‘right to exclude’ already granted in the [’321] patent.” [Ferrall Decl. Ex. C at 5, Ex. D at 5]

To overcome a double-patenting rejection, the PTO allows applicants to file a “terminal disclaimer” that complies with 37 C.F.R. § 1.321. All co-owners of an application must file such a disclaimer. *See* 37 C.F.R. § 1.321(b)(1); U.S. Patent & Trademark Office, Manual of Patent Examining Procedure (“MPEP”) § 1490(V)(A) & (VI) ¶ 14.26.06.<sup>2</sup>

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<sup>2</sup> 35 U.S.C. § 2(b)(2) authorizes the PTO to establish regulations for the conduct of proceedings in the Office. Those regulations appear in 37 C.F.R. The PTO also publishes the MPEP as a reference work on its practices and procedures. Courts often take judicial notice of the MPEP and rely on it even though it is not binding law. *See, e.g., Enzo Biochem, Inc. v. Gen-Probe Inc.*, 323 F.3d 956, 964 (Fed. Cir. 2002); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 n.10 (Fed. Cir. 1995).

In this instance, UNM elected to file a terminal disclaimer to overcome the rejection. [Ferrall Decl. Ex. E] UNM used standard PTO form language in its disclaimer, which was dated May 18, 1999. UNM began by asserting that it was “the owner of record of a 100 percent interest in the instant application.” [*Id.* at 1] As required by 37 C.F.R. § 1.321(c), UNM then disclaimed any term for the ’998 patent that would extend beyond the term of the ’321 patent, and further stipulated that, if issued, the ’998 patent “shall be enforceable only for and during such period that the instant application (or resulting patent) and the prior [’321] patent are commonly owned.” [*Id.*] As required by 37 U.S.C. § 1.321(a), UNM also agreed that the conditions of its disclaimer, including the common-ownership requirement, would “run[] with the Claims of any patent granted on the instant application and [be] binding upon the grantee, its successors and/or assigns.” [*Id.*]

Relying on UNM’s disclaimer and its binding effect, the PTO allowed the ’998 patent to issue. [Ferrall Decl. Ex. F (6/21/99 allowance) at 3] When the ’998 patent issued on March 28, 2000, the sole named assignee on the cover page was UNM. [*See* Ferrall Decl. Ex. G (’998 patent) cover page]

**B. After Acquiring the ’998 Patent, STC Consistently Contended that It Was the Sole Owner of the ’998 Patent and that Only UNM Employees Invented the Claimed Invention**

UNM held the ’998 patent from issuance until August 2007, when UNM assigned its entire ownership interest to STC. [Ferrall Decl. Ex. H (assignment to STC)] STC was formed by UNM and remains wholly owned by UNM. [Doc. No. 1 (Complaint) ¶ 1] Indeed, STC’s full name (STC.UNM) stands for “Science and Technology Corporation of the University of New Mexico.” STC and UNM are thus closely-related entities.



After STC acquired the '998 patent, STC (like UNM before it) consistently contended that it was the sole owner of the '998 patent. It did so to the PTO, the International Trade Commission, this and other courts, and the world at large.

To begin with, STC represented to the PTO that it owned 100% of the '998 patent when it petitioned to correct the list of inventors named on the '998 patent. UNM determined that two other UNM employees, Steve Hersee and Kevin Malloy, also should have been named as co-inventors. UNM thus filed a petition to correct inventorship in 2005. [Ferrall Decl. Ex. I] The PTO rejected UNM's petition to correct for procedural reasons, but STC was on notice of the inventorship defect and wanted to enforce the patent. STC thus filed its own petition to correct inventorship in May 2008. [Ferrall Decl. Ex. J] Because Messrs. Hersee and Malloy had assigned their interests to UNM before the '998 patent issued, their addition did not affect ownership of the '998 patent. STC's President and CEO, Elizabeth Kuuttila, accordingly represented to the PTO that STC owned "the entire right, title, and interest" in the '998 patent and set out the path of assignments that led to that 100% ownership. [*Id.*] The PTO granted STC's petition in August 2010. [Ferrall Decl. Ex. K]

STC again represented having 100% ownership of the '998 patent when, in September 2008, it petitioned for a second certificate of correction. In that petition, STC sought to designate the '998 patent as a "continuation-in-part" of the '321 patent in order to claim an earlier priority date and avoid prior art raised by a licensing target. [*See* Ferrall Decl. Ex. L] STC's petition included a statement, again signed by STC's President and CEO, Ms. Kuuttila, representing that STC was "the assignee of the entire right, title, and interest" in the '998 patent and citing in support the chain of assignments first from co-inventors Brueck, Zaidi, Hersee, and Malloy to

UNM and then from UNM to STC. [*Id.* (9/15/08 Statement under 37 C.F.R. § 3.73(b))] Based on that representation, and STC’s assertion that UNM’s failure to claim “continuation-in-part” status was a “clerical mistake,” the PTO issued the certificate of correction in December 2008. [Ferrall Decl. Ex. M]<sup>3</sup>

STC once again confirmed that it was the sole owner of the ’998 patent when it filed a new Power of Attorney with the PTO in February 2011. That document, again signed by its President and CEO, Ms. Kuuttila, asserted that STC was the “assignee of record of the entire interest” in the ’998 patent. [Ferrall Decl. Ex. N]

STC has also consistently claimed sole ownership of the ’998 patent in its licensing and patent enforcement program. In March 2009, for example, STC filed a complaint in this Court against Toshiba, asserting that STC was “the owner by assignment” of the ’998 patent. [Ferrall Decl. Ex. O ¶ 10] That case eventually settled, with Toshiba paying for a license. [See Ferrall Decl. Ex. P] Similarly, in June 2010, STC filed a complaint with the International Trade Commission, asking the Commission to open an investigation against Samsung Electronics and the Taiwan Semiconductor Manufacturing Corporation. Consistent with Commission rules, that complaint was verified under oath by its President and CEO, Ms. Kuuttila, and asserted that STC “owns by assignment the entire right, title, and interest” in the ’998 patent. [Ferrall Decl. Ex. Q ¶¶ 4, 21] The Commission opened an investigation on that basis, *In re Certain Semiconductor Products Made by Advanced Lithography Techniques and Products Containing Same*, ITC Inv. No. 337–TA–729, and STC received payments when the case settled. [Ferrall Decl. Ex. R]

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<sup>3</sup> Intel contends that UNM’s failure to claim priority to the ’321 patent was not a clerical mistake, but instead reflected UNM’s consistent stance during the ’998 patent’s prosecution that the ’998 patent was unrelated to the ’321 patent. That issue is the subject of a separate Intel counterclaim (unenforceability for inequitable conduct), and the Court need not reach it here.

STC also continuously asserted exclusive ownership of the '998 patent in pursuing Intel. STC's complaint states that "STC is *the owner* by assignment of U.S. Patent No. 6,042,998 ...." [Doc. No. 1 ¶ 3 (emphasis added)] Moreover, in response to an interrogatory from Intel asking STC to explain its basis for claiming that it "owns the complete right, title and interest in the Asserted Patent," STC twice answered that "STC owns the '998 patent because the named inventors assigned their rights therein to the University of New Mexico, and the University, in turn, assigned its rights to STC." [Ferrall Decl. Ex. S (4/1/11 Supp. Resp.) at 36, Ex. T (7/11/11 3d Supp. Resp.) at 27–28] Until last week, STC never contended otherwise.

**C. Sandia National Laboratories Has Shared Ownership of the '321 Patent with UNM and Later with STC, But It Has Never Co-Owned the '998 Patent**

Because STC has argued from the start of this case that the asserted claims of the '998 patent are entitled to the earlier filing date of the '321 patent, Intel promptly sought discovery from Sandia National Laboratories, Sandia Corporation, and Bruce Draper, an engineer who is named as a co-inventor on the '321 patent. The two Sandia entities are distinct: *Sandia National Laboratories* is a federal government agency, whereas *Sandia Corporation* is a private, Lockheed Martin-owned entity that operates Sandia National Laboratories under a government contract. [Ferrall Decl. Ex. U (Bieg Dep. Tr.) at 8–9, Ex. V (Sandia National Laboratories' "About Sandia" web page)] Mr. Draper has worked at Sandia National Laboratories for many years and is an employee of Sandia Corporation.

Intel served subpoenas *duces tecum* in March 2011 and received the bulk of the document productions between August and November 2011. [Ferrall Decl. ¶ 2] Intel then took the depositions of Mr. Draper and a Rule 30(b)(6) representative of both Sandia entities (in-house lawyer Kevin Bieg) on November 16 and 17, 2011. [*Id.*] The document productions and

depositions established that Sandia National Laboratories has continually held an ownership interest in the '321 patent due to Mr. Draper's co-inventorship, but has never held an ownership interest in the '998 patent, on which Mr. Draper has never been named a co-inventor.

Until July 2002, UNM jointly owned the '321 patent with Sandia National Laboratories. [Ferrall Decl. Ex. U] The named inventors on the '321 patent are three UNM employees (Drs. Brueck and Zaidi and An-Shyang Chu) and one non-UNM employee (Mr. Draper). [Ferrall Decl. Ex. W ('321 patent) cover page] All four inventors assigned their interests to UNM in or around May 1996—including Mr. Draper even though he was not a UNM employee. [Ferrall Decl. Ex. X] In October 1996, however, UNM rectified the “error” of Mr. Draper's assignment to UNM by assigning to Sandia National Laboratories those interests that Mr. Draper had previously assigned to UNM. [Ferrall Decl. Ex. Y] In July 2002, UNM assigned its interest in the '321 patent to STC. [Ferrall Decl. Ex. Z] That assignment had no effect on Sandia National Laboratories' partial ownership interest, however, and Sandia National Laboratories has retained its share of the '321 patent to this day. [Ferrall Decl. Ex. U at 32–34]

By contrast, Sandia National Laboratories has never held any ownership interest in the '998 patent. Such ownership could not derive from original inventorship because Mr. Draper (the only logical candidate) is not a named inventor on the '998 patent and testified in deposition that he has never considered himself a co-inventor. [Ferrall Decl. Ex. AA (Draper Dep. Tr.) at 49] STC has agreed: in three sets of interrogatory answers in this case, it has not identified Mr. Draper as a person involved in the conception or reduction to practice of any asserted claim of the '998 patent, even though it did specify Mr. Draper's inventive contributions to the '321 patent and the four UNM inventors' inventive contributions to the '998 patent. [See Ferrall Decl.

Ex. S at 14–16, 21–22, Ex. T at 8–9, 14–15, Ex. BB (1/18/12 4th Supp. Resp.) at 14–15]

Furthermore, the Rule 30(b)(6) representative of Sandia National Laboratories and Sandia Corporation, Mr. Bieg, confirmed that neither Sandia entity has ever owned any share of the '998 patent. [Ferrall Decl. Ex. U at 33] As discussed above, STC has enforced the '998 patent by itself, and it has produced no evidence that it shared the proceeds with either Sandia National Laboratories or Sandia Corporation.

**D. Intel Promptly Confronted STC with the Unenforceability of the '998 Patent and Amended Its Pleadings to Assert That Defense, But STC Has Presented No Plausible Response**

The November 2011 depositions made clear that the '998 and '321 patents have never been commonly owned, and that the '998 patent has always been unenforceable under the terms of the disclaimer UNM executed in order for the '998 patent to issue. Intel thus advised STC shortly after those depositions that STC had no basis to maintain this lawsuit and urged STC to dismiss the case voluntarily. [Ferrall Decl. ¶ 31 & Ex. CC] Desiring to avoid unnecessary motion practice (and unnecessary investment by the Court in a technology tutorial and claim construction), Intel repeatedly urged STC to dismiss the case or explain why it would not. STC refused, although it did consent to Intel's filing of an amended answer and counterclaims raising the defense of unenforceability based on UNM's disclaimer. [Ferrall Decl. ¶ 32; *see* Doc. No. 162 (Intel's amended pleading)] At the time, STC provided no rationale why the '998 patent was enforceable beyond a vague suggestion that STC might "cure" the problem somehow. [Ferrall Decl. ¶ 32] STC also did not supplement its discovery responses at that time, even though Intel repeatedly requested that it do so. [Ferrall Decl. ¶ 33]

In the past two weeks, however, STC has asserted for the first time that—contrary to everything it said previously—the '998 patent has never been solely owned by UNM or STC, but instead has always been co-owned by Sandia Corporation. STC's answer to Intel's amended counterclaim tersely denied Intel's allegations of unenforceability based on lack of common ownership. [Doc. No. 170 at 3] In a short letter with slightly more detail a week later, STC relied on an October 1996 assignment from UNM to Sandia *National Laboratories*. Yesterday afternoon, as Intel was about to file this motion, STC purported to amend its interrogatory answers to state for the first time that it “is a co-owner of the '998 and '321 patents with Sandia Corporation.” [Ex. BB at 27–28 (emphasis added)] STC's new response did not provide a reason for its change of position, and STC continued not to identify Mr. Draper as involved in any way in the conception or reduction to practice of any asserted claim of the '998 patent. [*Id.* at 8–9]

Yesterday afternoon, STC also belatedly produced a document dated December 1, 2011, in which its President and CEO—the same Ms. Kuuttilla who repeatedly avowed STC's sole ownership of the '998 patent to the PTO and the International Trade Commission—unilaterally purported to “confirm[.]” that “[p]ursuant to the ASSIGNMENT dated October 15, 1996 and related documents and events, STC, UNM and Sandia Corporation are and have been since at least December 30, 2008 common owners of both of U.S. Patents Nos. 5,705,321 and 6,042,998.” [Ferrall Decl. Ex. DD] The document did not explain the significance of December 30, 2008. At the same time, the document contradictorily purported, “in an abundance of caution,” to “*hereby* assign[.] an undivided interest in each of U.S. Patents No. 5,705,321 and 6,042,998 to Sandia Corporation.” [*Id.* (emphasis added)] STC did not explain its failure to produce this document for seven weeks.

Intel will explain below why STC's desperate, last-minute legal gymnastics cannot save the '998 patent from unenforceability and why Intel is therefore entitled to summary judgment.

**Statement of Undisputed Material Facts under D.N.M.LR-Civ. 56.1(b)**

'321 Patent Ownership

1. The '321 patent, both as issued in January 1998 and today, names three UNM employees (Steven Brueck, Saleem Zaidi, and An-Shyang Chu) and one Sandia engineer (Bruce Draper) as co-inventor. [Ferrall Decl. Ex. W]

2. Those three UNM employees and Mr. Draper assigned their interests in the '321 patent to UNM in or around May 1996. [Ferrall Decl. Ex. X] In October 1996, UNM "correct[ed] the record" by assigning Mr. Draper's former interests to Sandia National Laboratories. [Ferrall Decl. Ex. Y]

3. In July 2002, UNM assigned its partial interest in the '321 patent to STC. [Ferrall Decl. Ex. Z] That assignment did not affect Sandia National Laboratories' ownership interest, which has not been transferred. [Ferrall Decl. Ex. U at 32–34]

'998 Patent Ownership

4. As corrected by STC, the '998 patent names four UNM employees (Steven Brueck, Saleem Zaidi, Steve Hersee, and Kevin Malloy) as co-inventors. [Ferrall Decl. Ex. K]

5. All four of those UNM employees assigned their interests in the '998 patent to UNM before the '998 patent issued. [Ferrall Decl. Exs. A, B]

6. UNM assigned its entire interest in the '998 patent to STC in August 2007. [Ferrall Decl. Ex. H]

7. STC has never assigned any rights in the '998 patent to Sandia National Laboratories. [Doc. No. 1 ¶ 3; Ferrall Decl. Ex. U at 32–34, Ex. DD]

'998 Patent Disclaimer

8. In a terminal disclaimer dated May 18, 1999, UNM agreed that the '998 patent “shall be enforceable only for and during such period that the instant application (or resulting ['998] patent) and the prior ['321] patent are commonly owned.” [Ferrall Decl. Ex. E at 1]

9. UNM’s disclaimer agreement, including its limitation on enforceability, states that it “runs with the Claims of [the '998 patent] and is binding upon the grantee, its successors and/or assigns.” [*Id.*]

**Argument**

Intel is entitled to summary judgment of no liability because the common ownership requirement of the '998 patent’s disclaimer has never been satisfied. As a matter of indisputable fact, STC or UNM has always *co-owned* the '321 patent with Sandia National Laboratories. But STC or UNM *solely* owned the '998 patent until December 1, 2011, at which point STC purported to assign an interest to a different Sandia entity, Sandia Corporation. As a matter of law, two patents are not “commonly owned” where they have different sets of owners. STC’s strained, newly minted counterargument that Sandia Corporation has always co-owned the '998 patent must also be rejected as contrary to 15 years of consistent statements and conduct by UNM, STC, and the Sandia entities themselves.

**A. Under the Disclaimer Filed to Obtain the '998 Patent, the '998 Patent Is Enforceable Only While It and the '321 Patent Share Common Ownership**

The PTO often rejects claims on the ground of “obviousness-type double patenting” because they would be obvious in light of an earlier patent to the same or related inventors. The



primary concern is that if a second patent were allowed, the patentees could use the second patent's later expiration date to extend the duration of the statutory monopoly, contrary to the public's reasonable belief that it would be free to use the claimed invention and obvious variants when the first patent expired. *See, e.g., Sun Pharm. Indus., Ltd. v. Eli Lilly & Co.*, 611 F.3d 1381, 1384–85 (Fed. Cir. 2010); MPEP § 804.

PTO rules allow applicants to file “terminal disclaimers” to overcome obviousness-type double-patenting rejections, but they impose several strict requirements to protect the public interest. First, the patentees must disclaim any life of the second patent that would extend past the term of the first patent. 37 C.F.R. § 1.321(b) & (c). Disclaiming that “terminal” portion of the patent term prevents the patentees from effectively extending the patent monopoly. Second, the disclaimer must “[i]nclude a provision that any patent granted on that application ... shall be enforceable only for and during such period that said patent is commonly owned with the application or patent which formed the basis for the judicially created double patenting.” 37 C.F.R. § 1.321(c)(3). This requirement ensures that the two patents are under common control, preventing two different sets of owners from serially harassing alleged infringers. *See, e.g., In re Fallaux*, 564 F.3d 1313, 1318–19 (Fed. Cir. 2009) (noting the continued vitality of this concern). Finally, all terminal disclaimers must be “binding upon [both] the grantee and its successors or assigns.” 37 C.F.R. § 1.321(b). This requirement ensures that the risks are eliminated permanently. The PTO's regulations have been in place for several decades, and the Court of Customs and Patent Appeals (the predecessor to today's Federal Circuit) has upheld the PTO's authority to impose them. *In re Van Ornum*, 686 F.2d 937, 944–48 (C.C.P.A. 1982) (specifically upholding the validity of the PTO's common-ownership requirement).

In this case, UNM, the sole assignee of the application for the '998 patent, filed a terminal disclaimer after the PTO twice rejected various claims in view of the '321 patent, which shared two of the same co-inventors. As required by 37 C.F.R. § 1.321, UNM disclaimed (with certain caveats not relevant here) “the terminal part of the statutory term of present Claims of any patent granted on the instant application, which would extend beyond the expiration date of ... prior Patent No. 5,705,321.” [Ferrall Decl. Ex. E at 1] As required by regulation, UNM also expressly agreed that any claims of the '998 patent “shall be enforceable only for and during such period that the instant application (or resulting patent) and the prior patent are commonly owned.” [*Id.*] As required, UNM also bound its successors and assigns by stipulating that “[t]his agreement runs with the Claims of any patent granted on the instant application and is binding upon the grantee, its successors and/or assigns.” [*Id.*]

Based on UNM’s representation that it was the 100% owner of the '998 patent and its agreement that the '998 patent would be enforceable only while the '321 and '998 patents were commonly owned, the PTO allowed the '998 patent to issue. [Ferrall Decl. Ex. F at 3 (UNM “has overcome the double patenting rejection and the [35 U.S.C. §§] 102 and 103 rejections under *Brueck et al. (5,705,321)* with the filing of a terminal disclaimer.”)] The disclaimer thus went into force and remains binding on STC as UNM’s assignee and successor-in-interest.

**B. The '998 Patent Has Been Unenforceable for Its Entire Life Because the '998 Patent and the '321 Patent Have Never Had Common Ownership**

Under the disclaimer, the '998 patent can be enforced only while the '321 and '998 patents are “commonly owned.” “Commonly owned” is a term of art that the PTO has long defined in its published operating procedures. MPEP § 1490, the counterpart to 37 C.F.R. § 1.321, confirms that a “terminal disclaimer must state that any patent granted on the

application being examined will be enforceable *only for and during the period* that it and the patent to which the disclaimer is directed or the patent granted on the application to which the disclaimer is directed are *commonly owned*” (emphasis added). For clarification of the meaning of “common ownership,” MPEP § 1490 refers readers, including the public, to MPEP § 706.02(l)(2), which also discusses “common ownership” under 35 U.S.C. § 103(c).

MPEP § 706.02(l)(2) explains that “common ownership” requires the *same set of entities* to own 100% of *both* the earlier patent *and* the currently claimed invention:

The term “commonly owned” is intended to mean that the subject matter which would otherwise be prior art to the claimed invention and the claimed invention are entirely or wholly owned by the *same person(s) or organization(s)/business entity(ies)* at the time the claimed invention was made. If the person(s) or organization(s) owned less than 100 percent of the subject matter which would otherwise be prior art to the claimed invention, or less than 100 percent of the claimed invention, then common ownership would not exist. *Common ownership requires that the person(s) or organization(s)/business entity(ies) own 100 percent of the subject matter and 100 percent of the claimed invention.*

MPEP § 706.2(l)(2)(I) (emphasis added). Two of the MPEP’s examples illustrate the point. If Company A owns 40% of Patent 1 and 60% of Patent 2, and Company B owns 60% of Patent 1 and 40% of Patent 2, the two patents *are* commonly owned. *Id.* Example 6. By contrast, if a Parent Company owns 100% of Subsidiary A which owns Patent 1, but only 90% of Subsidiary B which holds Patent 2, the two patents are *not* commonly owned by the Parent Company, as another company would co-own Patent 2. *Id.* Example 2.

*Enovsys LLC v. Nextel Communications, Inc.*, No. CV 06–05306 RSWL (SHx), 2008 U.S. Dist. LEXIS 118191 (C.D. Cal. Feb. 26, 2008), further illustrates the point. It too involved two patents, the second subject to a terminal disclaimer involving the first. When the second

patent issued in May 2003, the first patent was co-owned by two men: Fomukong and Chesney. The second patent, however, issued to Fomukong alone. In February 2006, Fomukong assigned his interest in both patents to Enovsys. In June 2006, Chesney assigned his interest in the first patent to Enovsys, merging ownership in both patents for the first time. Like the disclaimer here, Enovsys's disclaimer tracked the regulatory requirements, including the requirement of common ownership. Defendant Nextel thus moved for summary judgment that the second patent was unenforceable from its issuance in May 2003 until June 2006, when Enovsys finally established common ownership of both patents. The district court agreed and granted summary judgment of unenforceability to Nextel, citing the terms of the disclaimer and following the definition of "common ownership" in MPEP § 706.2(l)(2)(I). *Id.* at \*5–7; *see also Ex parte Tydings*, No. 2007–0393, 2007 Pat. App. LEXIS 3191 (B.P.A.I. May 25, 2007) (rejecting argument that mere partial overlap is required for "common ownership"; insisting on complete overlap).

Here, the '321 and '998 patents have never been commonly owned. As discussed above, from March 2000 to July 2002, UNM solely owned the '998 patent but shared co-ownership of the '321 patent with Sandia National Laboratories. From July 2002 to August 2007, UNM solely owned the '998 patent, while STC shared co-ownership of the '321 patent with Sandia National Laboratories. From August 2007 until December 2011, STC solely owned the '998 patent, but STC co-owned the '321 patent with Sandia National Laboratories.

Yesterday, STC produced a document dated December 1, 2011, that purports to assign a partial interest in the '998 patent to Sandia Corporation, but even that document did not create the required common ownership. [Ferrall Decl. Ex. DD] At most, that assignment left the '998 patent jointly owned by STC and Sandia Corporation as of its date, and the '321 patent remained

jointly owned by STC and Sandia National Laboratories. Sandia Corporation and Sandia National Laboratories are distinct. Sandia National Laboratories is, as the name indicates, a federal agency. Sandia Corporation is, as the name indicates, a privately-owned corporation. Sandia Corporation manages Sandia National Laboratories under a government contract, but the two are different entities and cannot be conflated. [See Ferrall Decl. Ex. at 8–9, Ex. V]

Under the terms of UNM’s disclaimer, the continued lack of common ownership of the ’321 and ’998 patents continues to bar STC from enforcing the ’998 patent.<sup>4</sup>

### **C. STC’s Revisionist-History Theory of Co-Ownership Must Be Rejected**

For six weeks after Intel confronted STC with the fatal flaw in its case, STC offered no explanation how it could enforce the ’998 patent when the ’998 and ’321 patents had different ownership. STC hinted at a possible “cure,” but it produced no evidence of such a cure. Instead, STC contrived and began to reveal last week a new theory that Sandia has co-owned the ’998 patent all along, despite the extensive and consistent evidence to the contrary.

Because STC’s theory appears to be in flux, Intel cannot fully reply until STC responds to this motion. As best Intel can tell, however, STC’s convoluted theory is that Sandia Corporation was always a co-owner of the ’998 patent because, according to STC: (1) in May 1996 Mr. Draper assigned to UNM his rights in “continuations” of patents on the “invention” covered by the parent application to the ’321 patent, and in October 1996 UNM assigned those

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<sup>4</sup> In *Enovsys*, ownership of the two patents eventually became aligned because the owners of both patents assigned all of their interests to one party, Enovsys. Such an alignment of ownership has not happened here, however. In any event, even if common ownership were established, Intel, like Nextel, would be entitled to summary judgment that the ’998 patent was unenforceable (and damages unavailable) for the period when common ownership did not exist. That is because, under the terms of UNM’s disclaimer, the ’998 patent is “enforceable only for and during such period” when the ’998 and ’321 patents are commonly owned.

rights to Sandia Corporation; (2) the '998 patent covers such an “invention” by Mr. Draper; and (3) the '998 patent retroactively qualifies as a “continuation” of the parent application because STC convinced the PTO to issue a certificate of correction in December 2008 that stated that the '998 patent was a “continuation-in-part” of the '321 patent.

Regardless of what STC may argue, it is already clear that STC’s newfound theory fails. Even apart from STC’s disregard of the important distinction between Sandia Corporation and Sandia National Laboratories, STC’s current position contradicts 15 years of history and STC’s own representations to this Court, two agencies of the federal government, Intel, and the world. As a matter of law, STC is estopped from claiming that Mr. Draper co-invented the '998 patent and that Sandia co-owns the '998 patent because STC and UNM (STC’s predecessor-in-interest and privy) have benefited from repeatedly and successfully asserting just the opposite.

Judicial estoppel precludes a party from gaining an advantage or impeding an opponent by repudiating a contradictory position that it successfully took in an earlier proceeding. *See, e.g., New Hampshire v. Maine*, 532 U.S. 742, 749–51 (2001); *Mathews v. Denver Newspaper Agency LLP*, 649 F.3d 1199, 1209–10 (10th Cir. 2011). “Judicial estoppel applies just as much when one of the tribunals is an administrative agency as it does when both tribunals are courts.” *Trs. in Bankr. of N. Am. Rubber Thread Co. v. United States*, 593 F.3d 1346, 1353–56 (Fed. Cir. 2010) (estoppel from position before the Department of Commerce); *see also Mathews*, 649 F.3d at 1209–10 (estoppel from position taken before Social Security Administration). In particular, courts have held patent holders estopped from reversing positions successfully taken before the PTO. *See, e.g., Alcohol Monitoring Sys., Inc. v. ActSoft, Inc.*, Civ. A. Nos. 07–CV–02261–PAB, 08–CV–01226, 2011 WL 5075619, \*4–6 (D. Colo. Oct. 25, 2011) (estoppel to change claim

construction); *Analog Devices, Inc. v. Linear Tech. Corp.*, 479 F. Supp. 2d 202, 212–13 (D. Mass. 2007) (estoppel to deny significance of circuit components); *Yeda Res. & Dev. Co. v. Imclone Sys. Inc.*, 443 F. Supp. 2d 570, 623–24 (S.D.N.Y. 2006) (estoppel to deny disclosure of element in research paper).

This is a paradigm case for applying estoppel. STC and UNM repeatedly contended to the PTO that all inventors on the '998 patent were UNM employees and that all ownership rights had been assigned to them. And they did so successfully. UNM's assertion of sole ownership was critical to allowance of the '998 patent: as discussed above, the PTO requires terminal disclaimers from all co-owners and would not have accepted a disclaimer from UNM alone if UNM had been merely a co-owner. For its part, STC obtained *two* certificates of correction after representing to the PTO that STC was the sole owner of the '998 patent, the first of which confirmed that only UNM employees were co-inventors and the second of which STC has used in an attempt to avoid prior art problems. The International Trade Commission also relied on STC's representation of sole ownership, initiating an investigation that ultimately led to a settlement benefiting STC. STC has also filed two suits in this Court based on its claim to be the sole owner of the '998 patent. The first netted STC a settlement. The second is this case, which STC has prosecuted at great expense to Intel. Thus, even if STC had a factual basis to claim that Sandia Corporation has co-owned the '998 patent all along (and it does not), STC is estopped from asserting that position now.

### **Conclusion and Relief Requested**

STC's last-gasp creative lawyering cannot change the dispositive facts: the '998 and '321 patents have never had common ownership, and the '998 patent therefore has been and continues

to be unenforceable under the terms of UNM's disclaimer. The Court should therefore grant summary judgment declaring the '998 patent unenforceable and dismissing STC's infringement claim as a result. At a minimum, even if STC were to establish common ownership of the two patents at some point, the Court should declare that the '998 patent was unenforceable for its entire life until that point.

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Respectfully submitted,

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**Certificate of Service**

The undersigned hereby certifies that on January 19, 2012, the foregoing document and the accompanying declaration of counsel were 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.

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