

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 REPLY IN SUPPORT OF ITS MOTION
FOR SUMMARY JUDGMENT OF UNENFORCEABILITY**

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Introduction and Summary

STC concedes that the '998 patent is enforceable only while the '998 and '321 patents are “commonly owned,” and that “commonly owned” means having the same sets of owners. STC also agrees that the '321 patent always had two owners. STC also does not deny that for 15 years, UNM and STC represented to the PTO, other federal agencies, licensees, and the world that the '998 patent had just one owner. STC further admits that Bruce Draper did not co-invent any claim of the '998 patent and that, as a result, neither he nor Sandia Corporation nor Sandia National Laboratories claimed any ownership interest in the '998 patent.

Instead STC tries to rewrite history, claiming that Sandia Corporation has co-owned both patents (1) since October 15, 1996, when UNM reassigned to Sandia National Laboratories Mr. Draper's rights in his co-invention claimed in the '321 patent; (2) since December 30, 2008, when the PTO issued a certificate of correction deeming the '998 patent a “continuation-in-part” of the '321 patent; or (3) since December 1, 2011, when STC executed a new assignment to Sandia Corporation. None of these arguments surfaced until after Intel confronted STC with the unenforceability of the '998 patent, and all of them must be rejected as a matter of law.

Neither of the 1996 assignments on which STC relies transferred any rights in the '998 patent. All patent ownership rights must trace back to an original inventor's contribution to at least one claim in the patent, and STC admits that Mr. Draper did not co-invent any claim of the '998 patent. Mr. Draper thus had no rights in the '998 patent to assign to UNM, and UNM merely reassigned to Sandia National Laboratories the rights that it had acquired from Mr. Draper—rights to his co-invention of the '321 patent. The fact that the '998 patent incorporated the '321 patent by reference is irrelevant. The '998 patent incorporated 16 different background

references, but that did not convert each author of each one into a co-inventor or co-owner.

Invention, and thus ownership, must derive from a contribution to at least one issued claim in a patent. The PTO's 2008 certificate of correction merely labeled the '998 patent a continuation-*in-part* of the '321 patent and is also irrelevant. It did not retroactively convert Mr. Draper into a co-inventor of any claim of the '998 patent, and it did not authorize him to assign interests in that patent that he never owned. That is why, even after the certificate of correction, everyone continued to operate under the understanding that STC and STC alone owned the '998 patent.

Furthermore, for 15 years STC and UNM profited substantially by claiming sole ownership of the '998 patent, and as a result STC is now legally estopped from denying sole ownership before December 1, 2011. UNM obtained the '998 patent based on sole ownership, STC procured two critical certificates of correction based on that position, and STC has unilaterally licensed the '998 patent and brought multiple lawsuits based on that position. Having benefited from sole ownership, STC and UNM cannot reverse course now and deny sole ownership. Legal estoppel requires neither bad faith nor prejudice, but in fact both are present. STC claims good faith, but it *still* fails to advise the Court that under its newly minted theory of ownership, it did not have standing to sue for infringement because it did not join its co-owner. Moreover, Intel *has* been severely prejudiced: it has gone to great lengths and costs to defend a lawsuit that, under STC's current view of the world, STC never had standing to bring.

Finally, STC's recent assignment of an interest in the '998 patent to Sandia *Corporation* did not establish common ownership because Sandia *National Laboratories* co-owns the '321 patent. STC dismisses Sandia National Laboratories as a fiction, but both federal statutes and the Tenth Circuit recognize that it is an agency of the U.S. Department of Energy. In contrast, Sandia

Corporation is a private company that has contracted to *operate* Sandia National Laboratories. Because the two patents still have different sets of owners, the '998 patent is still unenforceable.

Argument

A. **Sandia Corporation Could Not Have Been a Co-Owner Before December 1, 2011, Because Bruce Draper Did Not Co-Invent the '998 Patent and Therefore Had No Ownership Interest in the '998 Patent to Assign**

STC's contention that the '998 patent was enforceable before December 1, 2011, is wrong. STC proffers two theories why Sandia Corporation, which STC equates with Sandia National Laboratories, co-owned the '998 patent due to Mr. Draper's May 1996 assignment of rights to UNM and UNM's October 1996 reassignment of those rights to Sandia National Laboratories. First, STC argues (at 10–11) that Mr. Draper's assignment of the "invention" described in the '543 application which became the '321 patent included the '998 patent because the '998 patent incorporated the '321 patent by reference. On this theory, common ownership has existed since August 31, 2007, when STC acquired the '998 patent. Alternatively, STC argues (at 8–10) that the assignment and reassignment of "continuations" of the '543 application covered the '998 patent because the PTO issued a certificate of correction deeming the '998 patent a "continuation-in-part" of the '321 patent. On this theory, common ownership has existed since the date of the certificate of correction, December 30, 2008.¹ Both theories fail as a matter of law, however, because Mr. Draper never had an interest in the '998 patent to assign to UNM.

As the Supreme Court reaffirmed last year, patent ownership rights ultimately must derive from inventors. Rights in an invention initially belong to the inventors alone. *Bd. of Trs. of*

¹ Changes made in a certificate of correction cannot create retroactive liability for conduct that took place before the certificate issued. *See* 35 U.S.C. § 255 (certificates of correction apply *nunc pro tunc* only "for causes [of action] thereafter arising"); *Sw. Software, Inc. v. Harlequin Inc.*, 226 F.3d 1280, 1291–97 (Fed. Cir. 2000).

the Leland Stanford Jr. Univ. v. Roche Molecular Sys., Inc., 131 S. Ct. 2188, 2191, 2194–95 (2011). Inventors may assign their rights, but all they can assign are rights they own: “although others may acquire an interest in an invention, any such interest—as a general rule—must trace back to the inventor.” *Id.* at 2195. Furthermore, inventors’ rights must be tied to contributions to specific patent claims, as “the claims measure the invention.” *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 419 (1908); *see also Phillips v. AWH Corp.*, 414 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc) (“It is a ‘bedrock principle’ of patent law that ‘the claims of a patent define the invention to which the patentee is entitled the right to exclude.’”). STC is correct that ownership and inventorship are distinct and that ownership may diverge from inventorship. But all ownership interests must derive from an inventor’s contribution to one or more patent claims. *Board of Trustees v. Roche*, 131 S. Ct. at 2192, 2194–95. Indeed, the case STC quotes (at 12) confirms that one must jointly invent at least one claim before a presumption of ownership attaches. *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1466 (Fed. Cir. 1998) (“a joint inventor as to even one claim enjoys a presumption of ownership in the entire patent”). STC has not cited any authority supporting its novel theory that one who made no inventive contribution to any claim in a patent nevertheless can enjoy an original ownership interest in that patent.

Here, STC admits (at 12) that Mr. Draper did *not* co-invent any claim of the ’998 patent. It follows that he could not assign any ownership rights in that patent. Moreover, as STC acknowledges (at 3), the October 1996 assignment from UNM to Sandia National Laboratories was limited to “*those rights and interests previously assigned to Assignor by Bruce Draper.*” [Ex. Y (emphasis added)]² Because Mr. Draper could not and did not assign any interest in the

² All exhibits are attached to the original and supplemental declarations of Brian Ferrall.

'998 patent to UNM, UNM could not and did not assign any such interest to any Sandia entity.

The '998 patent's incorporation of the '321 patent by reference is irrelevant. The introduction to the '998 patent referred to 16 different works, including basic treatises such as *Introduction to Fourier Optics* and *Introduction to Microlithography* as well as the '321 patent. [Ex. G col. 1] If STC were right, all the authors of all those references would have ownership rights in the '998 patent, further compounding STC's enforceability problem. But they do not: general background contributions that do not rise to the level of an inventive contribution to an issued claim cannot confer an ownership right in a patent. As discussed above, ownership can later diverge from inventorship of patent claims, but it must find its origin in inventorship. By conceding that Mr. Draper did not co-invent any claim of the '998 patent, STC has conceded that the "invention" he assigned was *not* the invention that UNM later claimed in the '998 patent.

The same problem dooms STC's alternative argument (at 8–10) that the assignments of "continuations" in 1996 sprung forth and conferred rights to the '998 patent once the PTO issued the 2008 certificate of correction. To begin with, the '998 patent is now a continuation-*in-part* of the '321 patent, not a *continuation* of that patent or the '543 application. Unlike a *continuation* application, a continuation-*in-part* application includes new matter not present in the original application. *See, e.g., Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1321 n.2 (Fed. Cir. 2008).³ In this case, the '998 patent specification contains virtually all new matter and a different

³ STC notes that the PTO deems continuations, continuations-in-part, divisionals, and various other sorts of applications to be "continuing" applications. That is true, but that does not mean they are the same thing. Apples and oranges are both fruits, but apples are not oranges. Notably, although UNM's assignments to STC expressly included rights in continuations-in-part as well as continuations, the two 1996 assignments did not mention continuations-in-part. [Compare Exs. X, Y with Exs. H, Z] This difference made perfect sense: UNM naturally wanted to ensure that its wholly-owned affiliate STC had the maximum possible rights, but UNM did not

set of inventors. Where, as here, two patents have different content and different inventors, the second patent *cannot* qualify as a continuation of the first. At all events, ownership rights stem from inventorship, not continuation-in-part status. By admitting that Mr. Draper did not co-invent any of the claims of the '998 patent, STC has conceded that his contribution to the '543 application was insignificant to the invention of the '998 patent. As a matter of law, Mr. Draper's assignment of rights in continuation applications claiming his invention could not convey ownership rights in a continuation-in-part patent to which he made no inventive contribution.⁴

Finally, although the language of Mr. Draper's assignment to UNM is ultimately irrelevant, its plain language only assigned rights to the '543 patent application and patents issued thereon, not rights to patents invented by others, based on different disclosures. The May 1996 assignment agreement specifically described Mr. Draper's invention:

[Assignors] have made a certain invention entitled **METHOD FOR MANUFACTURE OF QUATUM [SIC] SIZED PERIODIC STRUCTURES IN SI MATERIALS** and further identified as UNM Docket No. **UNM-322** for which a patent application was filed at the expense of the Assignee on **September 20, 1995** in the United States Patent and Trademark Office. The patent application is identified as SN **08/123,543** filed on **September 20, 1995**.

[Ex. X (emphasis original)] And the agreement made clear that his assignment was limited to his rights in that particular invention and to patents issuing on that invention:

want to owe royalties to Sandia National Laboratories on patents to which no Sandia employee made an inventive contribution.

⁴ STC cites the district court opinion in *Regents of the University of New Mexico v. Knight*, but the precedential opinion is the Federal Circuit's decision on appeal, 321 F.3d 1111 (Fed. Cir. 2003). Based on facts not present here, the Federal Circuit affirmed that two UNM employees had assigned their rights in continuation-in-part applications to UNM, but in so doing it emphasized that the employees had agreed to assign to UNM inventions that *they had made*. *Id.* at 1118–20. The Federal Circuit did *not* suggest that a non-inventor can assign rights to an invention that he did *not* make, which is the argument that STC is positing.

Assignors do hereby sell, assign, and transfer unto Assignee all *their* right, title, and interest in and to the *invention* in the United States and in all foreign countries and their entire right, title, and interest in and to any and all *Patents which may be issued thereon* in the United States and in any all foreign countries and in and to any and all divisions, reissues, continuations, and extensions thereof.

[*Id.* (emphasis added)] The assignment included “continuations,” but those continuations had to be patents on Mr. Draper’s invention as set forth in the ’543 application. The ’998 patent did not issue on the ’543 application, and, as STC admits, Mr. Draper did not co-invent what Drs. Brueck and Zaidi and their colleagues at UNM claimed in the ’998 patent. In any event, Mr. Draper and the other assignors expressly limited their assignments to “*their* right, title, and interest.” Mr. Draper had no right, title, or interest in the ’998 patent to convey.

B. Fifteen Years of Actions by the Parties to the 1996 Assignments Confirm that Sandia National Laboratories Did Not Acquire Rights in the ’998 Patent, and STC Is Now Judicially Estopped from Arguing Otherwise

For over 15 years, neither Mr. Draper nor Sandia National Laboratories nor Sandia Corporation nor UNM nor STC ever suggested that anyone other than UNM and STC co-owned the ’998 patent. UNM unilaterally prosecuted the ’998 patent, UNM and STC unilaterally sought certificates of correction, STC enforced the patent by itself, and Sandia National Laboratories and Sandia Corporation never claimed any interest in the patent. Even if a Sandia entity could own an interest in the ’998 patent despite Mr. Draper’s lack of inventorship, and even if the wording of the 1996 assignments could be stretched to cover the ’998 patent, the parties’ unambiguous course of conduct over the ensuing 15 years confirms that none of them intended or believed that any Sandia entity co-owned the ’998 patent. STC’s entire argument is revisionist history spawned by a belated recognition that its sole ownership was fatal to this lawsuit.

Indeed, STC is judicially estopped from denying that it was the sole owner of the ’998

patent before December 1, 2011. Judicial estoppel bars a party from taking a position when (1) its new position is clearly inconsistent with its earlier position; (2) it succeeded in convincing a court or agency to accept its earlier position; and (3) it would derive an unfair advantage or impose an unfair detriment on its opponent if not estopped. *New Hampshire v. Maine*, 532 U.S. 742, 750–51 (2001) (listing three non-exhaustive factors that “typically inform the decision whether to apply” judicial estoppel); *Mathews v. Denver Newspaper Agency LLP*, 649 F.3d 1199, 1209 (10th Cir. 2011) (applying these factors and holding party estopped by the position it took before the Social Security Administration). All three factors are present here.

1. Inconsistency. STC’s current position that Sandia Corporation always co-owned the ’998 patent clearly contradicts its earlier position before the PTO, the ITC, and this Court. STC and its parent, owner, and predecessor-in-interest, UNM, consistently asserted sole ownership of the ’998 patent until they learned that sole ownership rendered the ’998 patent unenforceable.

2. Success. STC and UNM were successful in claiming sole ownership. As shown in Intel’s moving papers, UNM relied on sole ownership to obtain the ’998 patent: a terminal disclaimer filed by UNM alone would not have overcome the examiner’s double patenting rejection if UNM had co-owners. STC also claimed sole ownership to convince the PTO to issue two certificates of correction critical to the ’998 patent’s validity: one to correct the named inventors and another to allow STC to claim an earlier filing date and avoid invalidating prior art. STC’s claim of sole ownership also enabled it to enforce the ’998 patent unilaterally. The Supreme Court and Federal Circuit have consistently required all co-owners to join an infringement suit—partial owners lack standing to sue alone. *See, e.g., Israel Bio-Eng’g Project v. Amgen, Inc.*, 475 F.3d 1256, 1264–65 (Fed. Cir. 2007). By claiming sole ownership, STC

convinced the ITC to institute an investigation, and it brought a separate infringement complaint in this Court. Both led to financial settlements. *See New Hampshire*, 532 U.S. at 752 (settlement of earlier case based on New Hampshire's prior position constituted benefit to New Hampshire).

3. Unfair advantage or detriment. STC and UNM have derived an unfair advantage from their claim of sole ownership. Again, the '998 patent would not exist—at all, much less in corrected form—if they had not claimed sole ownership. *See Alcohol Monitoring Sys., Inc. v. Actsoft, Inc.*, Civ. A. Nos. 07-CV-02261-PAB, 08-CV-01226, 2011 WL 5075619, at *6 (D. Colo. Oct. 25, 2011) (“Allowing plaintiff to alter its position would give [it] the unfair advantage of retaining the [patent] while pursuing an infringement claim based on a position inconsistent with the [position taken before the PTO.]”); *Yeda Research & Dev. Co. v. Imclone Sys. Inc.*, 443 F. Supp. 2d 570, 624 (S.D.N.Y. 2006) (similar). Moreover, although legal estoppel does not require prejudice to opposing parties, Intel *has* been prejudiced: it has been put to great expense to defend a lawsuit that would have been dismissed at the outset for lack of standing if STC had asserted co-ownership rather than sole ownership.

STC's only counterargument is that it should not be estopped because it acted in good faith. The facts suggest otherwise. UNM and STC fully investigated the invention history of the '998 patent when seeking to correct inventorship and to establish continuation-in-part status, and they never considered Sandia Corporation a co-owner of the '998 patent until it was in their interest to do so. Moreover, even now, STC fails to inform the Court that it never had standing to bring this lawsuit if its theory of co-ownership before December 2011 is correct—and that no matter whether Intel or STC is right, STC lacks standing to unilaterally pursue its infringement claim now, after its December 2011 assignment to Sandia Corporation.

In any event, even if STC and UNM acted in good faith, neither the Supreme Court nor the Tenth Circuit has required bad faith for judicial estoppel to apply. *See New Hampshire*, 532 U.S. at 753 (noting that “it *may* be appropriate to resist application of judicial estoppel ‘when a party’s prior position was based on inadvertence or mistake,’” but not announcing a *per se* rule) (citation omitted). And other circuits, including the Federal Circuit, have applied judicial estoppel without proof of intentionally misleading conduct. *Trs. in Bankr. of N. Am. Rubber Thread Co. v. United States*, 593 F.3d 1346, 1355 (Fed. Cir. 2010) (analysis focuses on whether the party succeeded in asserting earlier position, not on “whether [it] misled the court”); *Thore v. Howe*, 466 F.3d 173, 184 n.5 (1st Cir. 2006) (“[A] party is not automatically excused from judicial estoppel if the earlier statement was made in good faith.”). In arguing otherwise, STC relies solely on Fourth Circuit cases that pre-date *New Hampshire*. Those cases hardly bind this Court. Even if the Court deems STC to have acted in good faith, that factor must be weighed against the unfair advantages obtained by STC and UNM and the detriment Intel has suffered due to STC and UNM’s inconsistent positions. *See New Hampshire*, 532 U.S. at 750 (describing judicial estoppel as “an equitable doctrine invoked . . . at [a court’s] discretion”) (citation omitted). Properly balanced, the facts weigh strongly in favor of applying judicial estoppel.

C. The ’321 and ’998 Patents Are Not Commonly Owned Today Because Sandia National Laboratories and Sandia Corporation Are Different Entities as a Matter of Law

As a last gasp, STC argues that Intel’s motion is not wholly dispositive because STC solved the lack of common ownership by assigning Sandia Corporation a share of the ’998 patent on December 1, 2011. STC is wrong, however, because Sandia *National Laboratories*, not Sandia Corporation co-owns the ’321 patent. STC urges the Court to conflate the entities by

treating Sandia National Laboratories as a non-entity, but that argument fails as a matter of law.

The legal relationship between Sandia National Laboratories and Sandia Corporation is not a disputed question of fact. As stated on its website, Sandia National Laboratories “is a government-owned/contractor operated (GOCO) facility.” [Ex. V] By contrast, “Sandia Corporation, a Lockheed Martin company, manages [Sandia National Laboratories] for the U.S. Department of Energy’s National Nuclear Security Administration.” [*Id.*] Mr. Bieg, the Rule 30(b)(6) witness for both Sandia entities, testified to the same fact. [Ex. U at 8–9]

As much as STC would like to, neither it nor a jury can decree Sandia National Laboratories out of existence. Numerous federal statutes recognize that Sandia National Laboratories is a federal agency. *See, e.g.*, 42 U.S.C. §§ 7383, 15801; 50 U.S.C. §§ 2471, 2533, 2652, 2704, 2782. The Tenth Circuit has also repeatedly recognized the distinction between Sandia National Laboratories (the federal agency) and Sandia Corporation (the privately held company that currently operates the Laboratories under a federal contract). *See, e.g., Domme v. United States*, 61 F.3d 787, 788 (10th Cir. 1995) (suit against federal government for injuries to Sandia Corporation employee); *Doran v. Robinson*, 72 Fed. Appx. 778, 779 n.2 (10th Cir. 2003) (§ 1983 claim against director of Sandia National Laboratories); *Nanodetex Corp. v. Defiant Techs.*, 349 Fed. Appx. 312, 314 (10th Cir. 2009). STC can hardly claim that Sandia National Laboratories is incapable of owning patents when PTO records show that Sandia National Laboratories holds title to *hundreds* of patents. [*See* Ex. EE]

STC argues that Sandia Corporation “does business as” Sandia National Laboratories. Perhaps so, but that is consistent with Sandia Corporation’s operating contract and it does not mean that Sandia National Laboratories is fictitious. The “evidence” STC cites is not contrary.

To be sure, in some cases Sandia Corporation has pleaded that it, and not Sandia National Laboratories, was the proper defendant, but that is because plaintiffs are often ignorant of the legal distinction and Sandia National Laboratories is a federal agency that cannot be sued without a waiver of sovereign immunity. [*See, e.g.*, Ex. FF ¶ 4 (Sandia Corporation “admits that Sandia National Laboratories is a U.S. government-owned and contractor-operated facility, located in Albuquerque, New Mexico, but *denies that Sandia National Laboratories is a legal entity that is subject to suit*[.]”) (emphasis added)] As Mr. Bieg’s testimony shows, Sandia Corporation does not deny the *existence* of Sandia National Laboratories.

Ironically, one of the authorities that STC cites, *General Insurance Co. of America v. Clark Mall, Corp.*, 631 F. Supp. 2d 968 (N.D. Ill. 2009), actually undermines STC’s point. “Generally,” the court said, a “d/b/a” is “merely descriptive . . . and does not create a distinct entity,” but the court went on to hold that was *not* the case there because public records confirmed that the two companies *were* distinct. *Id.* at 973. Similarly here, all the evidence shows that Sandia National Laboratories is distinct from Sandia Corporation.⁵

In sum, UNM assigned rights in the ’321 patent to one entity (a federal agency), whereas STC assigned rights in the ’998 patent to a different entity (a private company). Even today, the ’321 and ’998 patent have different ownership, and the ’998 patent remains unenforceable.

Conclusion and Relief Requested

The ’998 patent has been unenforceable from the beginning. Summary judgment should be granted, and STC’s claims should be dismissed with prejudice.

⁵ STC also notes that on two occasions Intel slipped and mistakenly referred to “Sandia Corporation” instead of “Sandia National Laboratories.” But that cannot change the legal reality either. Likewise, STC could not unilaterally change the rights of a federal agency by purporting to enter into a Commercialization Agreement (as to the ’321 patent) with Sandia Corporation.

Dated: February 16, 2012

Respectfully submitted,

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Certificate of Service

The undersigned hereby certifies that on February 16, 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.

ATKINSON, THAL & BAKER, P.C.

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