

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

MICROUNITY SYSTEMS ENGINEERING,)
INC.,)

Plaintiff,)

v.)

(1) ACER INC., (2) ACER AMERICA)
CORPORATION, (3) APPLE, INC., (4))
AT&T INC., (5) AT&T MOBILITY)
LLC, (6) CELLCO PARTNERSHIP, (7))
EXEDEA, INC., (8) GOOGLE INC., (9) HTC)
CORPORATION, (10) HTC AMERICA,)
INC., (11) LG ELECTRONICS, INC., (12))
LG ELECTRONICS MOBILECOMM U.S.A.,)
INC., (13) MOTOROLA, INC., (14) NOKIA)
CORPORATION, (15) NOKIA INC., (16))
PALM, INC., (17) QUALCOMM INC., (18))
SAMSUNG ELECTRONICS CO., (19))
SAMSUNG, SEMICONDUCTOR INC., (20))
SAMSUNG TELECOMMUNICATIONS)
AMERICA, LLC, (21) SPRINT)
NEXTEL CORPORATION, (22) TEXAS)
INSTRUMENTS INC.,)

Defendants.)

Case No. 2:10-CV-00185 (TJW)

JURY TRIAL DEMANDED

**DEFENDANTS ACER, INC.; ACER AMERICA CORPORATION; LG ELECTRONICS
INC.; LG MOBILECOMM U.S.A., INC.; PALM, INC. QUALCOMM INC.; SAMSUNG
ELECTRONICS CO.; AND SAMSUNG TELECOMMUNICATIONS AMERICA LLC'S
RESPONSE TO PLAINTIFF'S MOTION TO DISMISS AND/OR STRIKE
INEQUITABLE CONDUCT DEFENSES AND COUNTERCLAIMS**

I. INTRODUCTION

The only relevant issue in deciding a motion to dismiss is whether the allegations in the pleading have met the requisite standard, and Defendants' allegations in their Answers and counterclaims provide all of the information required to meet the heightened pleading standard for inequitable conduct.¹ For each theory, Defendants have pled the specific who, what, when, where, and how of the inequitable conduct, coupled with sufficient factual support for knowledge and intent. This is the full extent of the Court's inquiry at this pleading stage of the case. Despite Plaintiff MicroUnity's attempt to confuse this issue, the number of previous lawsuits on a particular patent portfolio, the sophistication of the prior defendants, and the number of defendants signing on to a particular defense have no bearing on this calculus.

Not only does MicroUnity attempt to cloud the issue in its Motion to Dismiss and/or Strike Inequitable Conduct Defenses and Counterclaims ("MTD") through the introduction of irrelevant allegations, MicroUnity attempts to create grounds for its MTD by ignoring and mischaracterizing both the facts alleged in the Answer² and applicable legal standards. MicroUnity had to take these extreme steps because the facts Defendants alleged contained all of the information required under the actual pleading standard. Because all of the necessary information is present, MicroUnity's MTD should be denied.

II. LEGAL STANDARD

The defense of inequitable conduct serves a critical function in patent law. "One who has engaged in inequitable conduct has inflicted damage on the patent examining system, obtaining a

¹ Defendants jointly submitting this Response to MicroUnity's Motion to Dismiss are Acer, Inc., Acer America Corp., LG Electronics Inc., LG Mobilecomm U.S.A., Inc., Palm, Inc., Qualcomm, Inc., Samsung Electronics Co., and Samsung Telecommunications America LLC (collectively, "Defendants"). Defendant Samsung Semiconductor, Inc. ("SSI") also asserted an inequitable defense affirmative defense (Dkt. 102). MicroUnity failed to move to dismiss SSI's inequitable conduct defense (*See* Dkt. 130).

² To maintain consistency with MicroUnity's motion to dismiss, all references to the "Answer" will refer to Qualcomm's Answer and counterclaims (Dkt. 107).

statutory period of exclusivity by improper means, and on the public, which must face an unlawfully-granted patent. Loss of one's patent and damage to reputation are justified penalties for such conduct.” *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995).

The pleading standard for inequitable conduct is governed by the recent Federal Circuit decision in *Exergen Corp. v. Wal-Mart Stores, Inc.*:

In sum, to plead the “circumstances” of inequitable conduct with the requisite “particularity” under Rule 9(b), the pleading must identify the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO. Moreover, although “knowledge” and “intent” may be averred generally, a pleading of inequitable conduct under Rule 9(b) must include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual (1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the PTO.

575 F.3d 1312, 1328-29 (Fed. Cir. 2009).

III. ARGUMENT

Defendants asserted two theories of inequitable conduct in their Answers; MicroUnity’s challenge to both theories should fail. The first theory alleges that MicroUnity intentionally withheld material references from the USPTO during prosecution of the applications that would later mature into U.S. Patents 5,742,840, 5,794,061, and 6,006,318 (“the ‘840, ‘061, and ‘318 Applications”). The second theory alleges that MicroUnity intentionally made misleading statements to the USPTO in order to claim an earlier priority date. For each of these theories, the facts pled by Defendants are more than sufficient to meet the *Exergen* standard.

A. Withholding Material References

Defendants’ allegations of withholding material references from the USPTO concerns three separate groups of references: the Hewlett Packard references, the Intel and Phillips references, and the Sun UltraSPARC reference. In accordance with *Exergen*, Defendants have

properly pled the specific who, what, when, where, and how of the material omission committed before the USPTO, and have alleged knowledge and intent. *See* Exhibits A-C.

1. The Hewlett Packard References

MicroUnity challenges Defendants’ allegations relating to the HP references on the grounds that Defendants have not pled sufficient facts to support the allegations that MicroUnity employees had knowledge of the HP references. Despite a footnote attempting to preserve rights, MicroUnity has not contested the other *Exergen* factors and has therefore waived its right to challenge on these other grounds under Rule 12. A review of the facts alleged demonstrates that MicroUnity’s challenge is not supported.

Beginning in January 1994, Hewlett Packard (“HP”) began selling the PA 7100LC microprocessor. Answer, at ¶52. This microprocessor included multimedia extensions to the instruction set that allowed dynamic partitioning.³ *Id.* Ruby Lee designed these PA 7100LC instructions. *Id.* at ¶53. Lee’s work on multimedia instructions using dynamic partitioning led to the award of at least two patents on the subject that date back to November 1993. *Id.* at ¶54. Lee also published many articles on the subject, including *Accelerating Multimedia with Enhanced Microprocessors* in April 1995. *Id.* Lee, together with two other HP engineers (Michael Mahon and Jerry Huck) designed second-generation multimedia instructions for the HP PA 8000 microprocessor in 1995 and 1996. *Id.* at ¶55. This shows that during the early- to mid-1990s, these three individuals were heavily focused on dynamic partitioning using multimedia instructions. *Id.* at ¶¶54-55.

Dynamic partitioning was central to MicroUnity’s media processor and related patents as well. Moussouris and Hansen obtained several of their patents by arguing that the prior art

³ The term “dynamic partitioning” will be used as shorthand throughout this Motion to refer to “dynamic partitioning for parallel processing of packed data elements” and its equivalents.

before the USPTO did not provide dynamic partitioning of media data. *Id.* at ¶58. Around the same time that Moussouris and Hansen applied for their patents, MicroUnity engaged in a technology collaboration with HP; HP engineers Lee, Mahon, and Huck were involved in this technology collaboration. *Id.* at ¶50. The shared focus of both MicroUnity and HP (and Lee, Mahon, and Huck, in particular) on multimedia processing using dynamic partitioning supports a reasonable inference that multimedia instructions and dynamic partitioning were a major part of the technology collaboration and that MicroUnity had knowledge of the HP references, including the PA 7100LC microprocessor and Lee’s publications.⁴ Such a reasonable inference is all that is required at the pleading stage. *See Exergen*, 575 F.3d at 1329 n.5.

Because knowledge was present based on the facts alleged, MicroUnity was forced to make several false statements to support arguments in the MTD. First, MicroUnity alleges that “the only fact that Defendants plead to establish MicroUnity’s supposed awareness of the HP prior art and other activities is that the MicroUnity inventors worked with Lee, Huck, and Mahon.” MTD at 5. The preceding two paragraphs demonstrate the falsity of this statement. Defendants’ allegations rest not only upon the fact that the MicroUnity inventors and Lee, Huck, and Mahon worked together, but also upon the overlap in subject matter specialization and the particular HP personnel involved in the collaboration.⁵

⁴ Lee’s patents regarding dynamic partitioning also predate the MicroUnity media processor patent applications. Answer, at ¶54. The “technology collaboration” would not have been very collaborative had HP and Lee not informed MicroUnity about her pending patents and instead allowed MicroUnity to design its media processor to read on her patents.

⁵ MicroUnity takes issue with Defendants’ assertion that Moussouris and Hansen “were aware or became aware of the multimedia instruction set extensions to the HP processors” because of the technology collaboration. Answer, at ¶56. According to MicroUnity, this allegation is deficient because “Defendants do not allege that Lee, Huck, or Mahon told the MicroUnity inventors about the HP prior art or other activities; nor do they contend that the HP prior art or other activities were used or relied upon during their collaboration with MicroUnity.” MTD at 5. However, nothing in *Exergen* requires pleading the precise manner in which the information became known. Obviously, further facts supporting Defendants’ claims might be revealed during discovery.

Second, MicroUnity asserts that “Defendants do not allege, however, that MicroUnity had any knowledge of the specific, allegedly invalidating features of the HP prior art or other work.” *Id.* at 5. This assertion is false. *See Answer*, at ¶52, 57 (“The PA 7100LC included multimedia extensions to the microprocessor instruction set that implemented dynamic partitioning for parallel processing of data elements. . . . Despite knowledge of the multimedia extensions and their operation, Moussouris and Hansen intentionally did not disclose the prior art HP microprocessors or Lee Articles”); *id.* at ¶64 (“[D]espite their knowledge of the materiality of the HP prior art processors and publications, . . . Moussouris and Hansen intentionally withheld this information”).⁶

Third, MicroUnity states that “Defendants even fail to allege that most of the ‘HP prior art’ is actually prior art.” MTD at 5. MicroUnity’s earliest filing date is August 16, 1995 and the critical date for statutory bars to patentability is August 16, 1994. Again, MicroUnity’s statement is false and contradicted by the plain language of the Answer. *See Answer*, at ¶52 (“[N]o later than January 1994, Hewlett Packard offered for sale the PA 7100LC microprocessor, part of HP PA-RISC family of microprocessors.”); *id.* at ¶54 (“Several of Lee’s articles were published prior to August 16, 1995 (the ‘Lee Articles’), which was the filing date of the patent application that later matured into the ‘840 Patent. . . . Lee also filed at least two patent applications relating to dynamic partitioning for parallel processing that claim a priority date of November, 1993, and are therefore prior art to the MicroUnity ‘840, ‘061, and ‘318 Patents”). The sole reference MicroUnity uses to support this statement (the second-generation multimedia instruction set extensions) was not offered as prior art for the ‘840, ‘061, and ‘318

⁶ Dynamic partitioning pervades the Lee Articles such as *Accelerating Multimedia with Enhanced Processors*. This is not an instance where the invalidating feature is mentioned in passing, but is the focus of the entire article. Also, unlike *Exergen*, Defendants specifically allege that Moussouris and Hansen had knowledge of the relevant features of the prior art references. *See Answer*, at ¶64.

Patents, but rather to demonstrate that Lee, Huck, and Mahon were heavily involved with dynamic partitioning.

MicroUnity's selective reading of Defendants' Answers cannot overcome the fact that the inequitable conduct allegations meet the *Exergen* pleading standard.

2. The "Intel Plans" and "Philips Plans"

MicroUnity challenges the Intel and Philips pleadings on the grounds that Defendants do not adequately allege "what" reference is being asserted, and that Defendants have not pled sufficient facts to support the allegations of knowledge of the references. MicroUnity has not challenged Defendants' pleading as to the other *Exergen* factors. A review of the facts alleged and the applicable legal principles demonstrates that Defendants properly identified the Intel and Philips references as the "what" of *Exergen* and also demonstrated a reasonable inference of knowledge.

USPTO rules require the disclosure of "all information known . . . to be material to patentability" of a patent application. 37 C.F.R. §1.56. MicroUnity employees apparently performed a competitive analysis of competitors' microprocessors. Answer, at ¶66. This competitive analysis resulted in the identification of two companies, Intel and Philips, that were taking an approach to multimedia processing that was "remarkably similar" to MicroUnity's approach. *Id.* An email describing the results of this analysis was sent to both Moussouris and Hansen. *Id.* at ¶65. Even though these approaches were considered "remarkably similar," neither Moussouris nor Hansen disclosed any information relating to Intel or Philips to the USPTO during prosecution of the '840 Application. *Id.* at ¶68. Given the fact that the analysis results were sent to both Moussouris and Hansen, it is reasonable to infer that Moussouris and Hansen read the email and followed up on the sources discovered, and therefore possessed

information material to the patentability of the '840 Application. Indeed, it would be unreasonable to assume that the CEO and Chief Architect would not be interested in competitive offerings that were “remarkably similar” to their own.

Because Defendants specified “what” material information was withheld from the USPTO, and because knowledge can reasonably be inferred from facts alleged, MicroUnity distorts the applicable law in an attempt to make the *Exergen* standard even more stringent. First, MicroUnity asserts in its Motion that “under *Exergen*, Defendants must ‘identify the specific prior art that was allegedly known to the applicant and not disclosed.’” MTD at 2, 6. MicroUnity incorrectly reads this to require the exact name of a particular reference in order to meet the *Exergen* pleading standard. The full passage in *Exergen* reads:

A pleading that simply avers the substantive elements of inequitable conduct, without setting forth the particularized factual bases for the allegation, does not satisfy Rule 9(b). For example, in a case where inequitable conduct was alleged on the basis that an applicant “failed to disclose all the relevant prior art known to it,” we found this allegation deficient because it did not identify the specific prior art that was allegedly known to the applicant and not disclosed.

Exergen, 575 F.3d at 1326-27 (citations omitted) (quoting *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1356-57 (Fed. Cir. 2007)). The *Cent. Admixture* court found that this pleading “fail[ed] to provide the required particularity **to give notice to the other party of the facts on which the defense is premised.**” *Cent. Admixture*, 482 F.3d at 1357 (emphasis added). Unlike the party in *Cent. Admixture* that made a generic allegation to “relevant prior art known by it,” Defendants in this case have alleged specific material information (*i.e.*, Moussouris’s and Hansen’s knowledge about the Intel and Philips designs) and prior art (*i.e.*, the Intel Plans and the Philips Plans) that were withheld from the USPTO. The details of these references are under MicroUnity’s control, and MicroUnity does

not argue that it lacks notice of the facts upon which Defendants base their inequitable conduct defense.⁷

Second, MicroUnity argues that it is unreasonable to assume that Moussouris and Hansen were aware of the Intel and Philips references, even though they were notified by email that these competitive offerings existed and were “remarkably similar” to their own product. MTD at 6-7. Apparently, according to MicroUnity, named inventors can be explicitly told that there are publicly available references that are “remarkably similar” to their own products, and this does not give rise to a reasonable inference that the inventors had knowledge of these references. This position is indefensible.

Third, MicroUnity states that Defendants have not come forth with facts suggesting that the MicroUnity inventors were aware of the allegedly invalidating features of the prior art references. MTD at 7. Defendants have, however, alleged that the email discussed how the multimedia capabilities of these other references were “remarkably similar” to those of the MicroUnity media processor. Answer, at ¶66. The multimedia capabilities (i.e., dynamic partitioning) are precisely what Defendants allege to be the invalidating features of the Intel and Philips references. *See id.* at ¶¶58-61. Furthermore, Defendants specifically identify features in the Intel references that are believed to invalidate the MicroUnity patents. *See id.* at ¶¶69-72. This is sufficient to create a reasonable inference that Moussouris and Hansen were aware of both the references and the sufficient features within the references in accordance with *Exergen*.

3. The Sun UltraSPARC and HP PA-RISC References

⁷ Defendants have provided the date and content of the MicroUnity email discussing these plans. The information naming the actual references discussed in these emails is uniquely in the possession of MicroUnity and its former employees. MicroUnity’s position appears to be that because Defendants cannot provide the exact reference that was discussed in that article, Defendants should not be allowed to take discovery to determine the names of the references cited. This position takes the specificity requirement of *Exergen* too far, and finds no support in the law.

As with the Intel and Philips References, MicroUnity challenges the UltraSPARC and HP PA-RISC References on the grounds that Defendants do not adequately allege “what” reference is being asserted, and that Defendants have not pled sufficient facts to support the allegations of knowledge of the references. MicroUnity has not contested the other *Exergen* factors as to Defendants’ allegations regarding these references. A review of the facts alleged and the applicable legal principles demonstrates that Defendants properly identified the Sun UltraSPARC and HP PA-RISC processors and references as the “what” of *Exergen* and also demonstrated a reasonable inference of knowledge.

Hansen read an online posting that explicitly equated the MicroUnity offering with PA-RISC and UltraSPARC multimedia extensions. Answer, at ¶75. According to the poster, the MicroUnity instructions appeared to “operate simultaneously on many packed data items within their operands. . . . Much like the PA-RISC and UltraSPARC multimedia extensions.” *Id.* Hansen obviously read this statement, because he answered the question that followed. *Id.* This gives rise to a reasonable inference that Hansen had knowledge of these references.

Once again, MicroUnity uses distorted facts and incorrect legal principles to argue against Defendants’ properly pleaded allegations. MicroUnity attacks these allegations by first trotting out its overly restrictive interpretation of *Exergen* requiring a “particular prior art reference.” MTD at 8. As noted in Section III.A.2, *supra*, all that is required of Defendants is to give notice to MicroUnity of the facts on which the inequitable conduct defense is premised. Defendants alleged that Hansen read online postings explicitly equating the Sun UltraSPARC and HP PA-RISC multimedia extensions and operation with the MicroUnity media processor instructions.⁸ Answer, at ¶75. This is sufficient to meet the *Exergen* requirements.

⁸ And, as discussed extensively above, Hansen was involved in a technology collaboration with the same HP engineers that designed the HP PA-RISC multimedia extensions. See Section III.A.1, *supra*.

Second, MicroUnity falsely states that “Defendants fail to allege even that the unidentified ‘Sun UltraSPARC and HP PA-RISC’ references were in existence prior to the priority date for the patents.” MTD at 8. Defendants made specific allegations for the HP PA-RISC reference. *See* Answer, at ¶52 (“[N]o later than January 1994, Hewlett Packard offered for sale the PA 7100LC microprocessor, part of the HP PA-RISC family of microprocessors. The PA 7100LC included multimedia extensions”). Defendants also described the references in the inequitable conduct paragraphs as “prior art references” and “prior art processors,” meaning they were in existence before the priority date for the patents by definition. Answer, at ¶132.

Third, MicroUnity argues that “Defendants fail to allege sufficient facts to demonstrate that [Hansen] ‘knew of the material information contained in [those] reference[s].’” MTD at 8. However, Defendants asserted in their Answer that the posting explicitly compared the operation of the PA-RISC and UltraSPARC multimedia extensions to MicroUnity instructions, indicating that for all three, “these instructions operate simultaneously on many packed data elements within their operands.” Answer, at ¶82.

MicroUnity also argues that “Defendants nowhere allege that Sun UltraSPARC and HP PA-RISC actually could do ‘dynamic partitioning of media data that is narrower than the data path for parallel processing.’” MTD at 9. Once again, the Answer speaks for itself. *See* Answer, at ¶52 (“[N]o later than January 1994, Hewlett Packard offered for sale the PA 7100LC microprocessor, part of the HP PA-RISC family of microprocessors. The PA 7100LC included multimedia extensions to the microprocessor instruction set that implemented dynamic partitioning for parallel processing of packed data elements.”); *id.* at ¶78 (“[T]he multimedia

extensions to the UltraSPARC processors included instructions for dynamic partitioning of media data that is narrower than the data path for parallel processing.”).⁹

As with the other references, MicroUnity fails to show that the pleadings for the Sun UltraSPARC and HP PA-RISC References fail to meet the *Exergen* standard.

4. Intent

MicroUnity makes a blanket challenge to the “intent” requirement for the withheld references, but neglects to explain how it believes Defendants have not pled sufficient facts to support the inequitable conduct allegations. MTD at 5. MicroUnity again distorts applicable legal principles to make its case. *Exergen* does not require “very detailed allegations of intent,” as MicroUnity states. MTD at 2. Intent may be averred generally. *Exergen*, 575 F.3d at 1328. All *Exergen* requires is “sufficient allegations of underlying facts **from which a court may reasonably infer**” that the named inventors intended to withhold material references. *Id.* at 1328-29 (emphasis added).

Defendants have alleged sufficient facts from which MicroUnity’s intent to withhold the references may reasonably be inferred. Moussouris was the CEO of MicroUnity and Hansen was the Chief Architect of the MicroUnity media processor. Answer, at ¶56. One would expect the CEO and Chief Architect to track industry and competitor activities. Indeed, MicroUnity had employees performing competitive analysis against other microprocessor manufacturers. *Id.* at ¶¶65-66. The competitive analysis reports identified key competitors by name and also identified the product functionality similar to the MicroUnity products. *Id.* at ¶66. Hansen

⁹ MicroUnity’s argument is factually wrong and unsupported by any law. USPTO Rules require the disclosure of “any material information” known to those involved with the prosecution of a patent application. See 37 C.F.R. § 1.56. The Defendants have alleged that “[t]he multimedia extensions to the PA-RISC and UltraSPARC processors were material to the prosecution of the ‘840, ‘061, and ‘318 Patents.” Answer, at ¶77. MicroUnity does not cite any law that requires materiality to be pleaded on an element-by-element basis.

himself tracked Usenet postings of interest, including one that explicitly tied the invalidating features of prior art processors such as the HP PA-RISC and Sun UltraSPARC to the MicroUnity media processor. *Id.* at ¶75. In addition, MicroUnity entered into a technology collaboration with HP, which sold a processor that included multimedia extensions for dynamic partitioning eighteen months before MicroUnity filed its patent applications for media processors. *Id.* at ¶¶50, 52. Of the five engineers named by MicroUnity as having knowledge of the technology collaboration, three had been heavily involved in the design of the HP multimedia extensions. *Id.* at ¶¶50, 53-55.

The foregoing shows that Moussouris and Hansen were constantly exposed to other microprocessor architectures that performed dynamic partitioning. Nonetheless, Moussouris and Hansen did not disclose any of these references to the USPTO during prosecution of the ‘840, ‘061, and ‘318 Patents, despite the fact that Moussouris and Hansen circumvented rejections by arguing that the prior art did not teach dynamic partitioning. *Id.* at ¶¶58-61. Instead, Moussouris and Hansen cited references that had no bearing on dynamic partitioning. *Id.* at ¶¶59-61. These allegations support the conclusion that Moussouris and Hansen knew of and intentionally withheld references from the USPTO in order to obtain their patents. A reasonable inference is all that *Exergen* requires at the pleading stage.¹⁰

B. Improper Priority Claim¹¹

Moussouris, Hansen, and Cage were aware that the ‘599 Patent was not entitled to claim priority to the ‘318, ‘603, and ‘840 Patents, yet intentionally declared to the USPTO in their Request for Certificate of Correction that the claim of priority was proper. *Id.* at ¶¶181-187, 189.

¹⁰ *Exergen* requires a “reasonable inference” at the pleading stage and “clear and convincing evidence” to prevail on the merits. *Exergen*, 575 F.3d at 1329 n.5. This is because the discovery process is meant to allow the Defendants to further investigate their claims once a reasonable inference is found.

¹¹ To remain consistent with MicroUnity’s MTD in this case, these citations are to the relevant paragraphs in Qualcomm’s Answer and Counterclaims in Case No. 2:10-cv-00091 (Dkt. 143). *See* MTD at 9.

This misrepresentation is the basis for Defendants' inequitable conduct allegations.¹² *Id.* at ¶189.

In accordance with *Exergen*, Defendants have properly pled the specific who, what, when, where, and how of the misrepresentation committed before the USPTO, and have alleged knowledge and intent. *See* Exhibit D. MicroUnity challenges this inequitable conduct theory on the grounds that it is implausible on its face and that Defendants have not alleged sufficient facts to support a reasonable inference of intent. MicroUnity has not contested the other *Exergen* factors, and as noted above has waived its right to challenge on other grounds. The facts below illustrate that both of MicroUnity's arguments are inaccurate.

First, MicroUnity's argument that the "priority claim theory is implausible on its [sic] face" (MTD at 11) fails because the facts MicroUnity uses to argue its point are irrelevant to the inequitable conduct theory. MicroUnity supports its challenge by stating that the '599 Patent included a priority claim to the '318 Patent, and therefore Moussouris and Hansen must have intended to claim priority to the '603 and '840 Patents. MTD at 11-13. However, the '599 Patent cannot claim priority to the '318 Patent, let alone the '603 and '840 Patents. Answer, at ¶¶170-171, 181. Moussouris and Hansen were aware of this fact when they initially filed the '599 Patent, as evidenced by the oath claiming priority only to the provisional application. *Id.* at ¶¶167, 180. In their request for a Certificate of Correction, Moussouris, Hansen, and Cage intentionally and falsely represented to the Examiner that they were entitled to claim priority to the '840 Patent in order to obtain patent protection they would not have otherwise been granted.. *Id.* at ¶189. This theory is only implausible under MicroUnity's selective reading of the alleged facts.

¹² This is the "what" required by *Exergen*. It is for this reason that most of the factual allegations in the Answer are directed to the differences in the specifications of the '599 and '318, '603, and '840 Patents. *See* Answer, at ¶¶168-172, 181-188.

Second, MicroUnity argues that Defendants do not allege facts sufficient to reasonably infer that Moussouris, Hansen, and Cage intended to make the misrepresentation. MTD at 14. To the contrary, Defendants alleged that Moussouris and Hansen amended the ‘765 and ‘356 Patents to include subject matter from the alleged Appendix. Answer, at ¶¶173-175. The reasonable inference from this action is that Moussouris and Hansen understood that the Appendix was not actually incorporated into the specification. About six months later, Moussouris, Hansen, and Cage claimed that the ‘599 Patent should be allowed to claim priority back to the ‘840 Patent. *Id.* at ¶179. But the ‘599 Patent specification “does not repeat a substantial portion of the specifications of the ‘318, ‘603, and ‘840 Patents.” *Id.* at ¶181. This is a requirement for continuation-in-part applications. *See* MPEP at §201.08. None of the claims of the ‘599 Patent are supported by the ‘318, ‘603, and ‘840 Patent specifications. Answer, at ¶¶170-171. This is a requirement for continuing applications. *See* 37 C.F.R. §1.78(a). The reasonable inference is that Cage, a patent attorney, knew of the relevant patent laws and informed Moussouris and Hansen of these laws. And, as discussed above, Moussouris and Hansen understood that the Appendix was not incorporated into the specification, and therefore could not be used to support the priority claims. Nonetheless, Moussouris, Hansen, and Cage falsely declared to the USPTO that the ‘599 Patent was entitled to claim priority to the ‘840 Patent. These facts are sufficient to provide a reasonable inference of intent as required by *Exergen*.

C. Leave to Amend

Defendants maintain that their allegations meet the requisite pleading standard. Nevertheless, if the court finds Defendants’ inequitable conduct pleadings to be deficient, Defendants should be granted leave to amend. Under Rule 15(a)(2) of the Federal Rules of Civil

Procedure, “[t]he court should freely give leave when justice so requires.” “Permissible reasons for denying a motion for leave to amend include ‘undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, futility of amendment, etc.’” *Cent. Laborers’ Pension Fund v. Integrated Elec. Serv., Inc.*, 497 F.3d 546, 556 (5th Cir. 2007) (quoting *Foman v. Davis*, 371 U.S. 178, 182 (1962)). None of the permissible reasons for denying leave to amend apply here.

MicroUnity does not argue that any of these reasons apply to Defendants, but instead fabricates the *Exergen* exception to the liberal amendment standard of Rule 15. MTD at 15. MicroUnity cites no legal support for this argument. MicroUnity instead appears to rely on an estoppel argument based on its three prior patent cases filed against different parties.. *Id.* However, none of the Defendants were involved in the prior cases, none of the prior cases were pled under *Exergen*, and none of the cases involved the withholding of material references pled in this case. MicroUnity does not address these deficiencies. The prior cases are irrelevant here and serve only to cloud the straightforward pleading issue before the Court.. Defendants should be granted leave to amend.

IV. CONCLUSION

For the foregoing reasons, this Court should deny MicroUnity’s Motion to Dismiss and/or Strike Defendants’ Inequitable Conduct Defenses and Counterclaims. In the alternative, this Court should grant Defendants leave to amend their inequitable conduct defenses and counterclaims.

DATED Monday, September 20, 2010.

Respectfully submitted,

/s/ Harry L. Gillam Jr.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this document was served on all counsel who have consented to electronic service. Local Rule CV-5(a)(3)(A). Pursuant to Fed. R. Civ. P. 5(d) and Local Rule CV-5(e), all other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing by U.S. mail or facsimile transmission, on this the 20th day of September, 2010.

/s/Harry L. Gillam, Jr.

Harry L. Gillam, Jr.