

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

MIRROR WORLDS, LLC,

Plaintiff,

v.

APPLE INC.,

Defendant.

Civil Action No. 6:08-CV-88 LED

JURY TRIAL DEMANDED

APPLE INC.,

Counterclaim Plaintiff,

v.

MIRROR WORLDS LLC,
MIRROR WORLDS TECHNOLOGIES,
INC.,

Counterclaim Defendants.

**APPLE INC.'S OPPOSITION TO MIRROR WORLDS, LLC'S MOTION TO DISMISS
APPLE, INC.'S INEQUITABLE CONDUCT DEFENSES AND COUNTERCLAIMS**

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Apple Inc. (“Apple”) respectfully requests that the Court deny Mirror Worlds, LLC’s (“Mirror Worlds”) motion to dismiss Apple’s inequitable conduct defenses and counterclaims for the reasons set forth herein.

I. Introduction

Mirror Worlds’ motion to dismiss is based on a fundamental misapprehension of the law—contrary to Mirror Worlds’ motion, a pleading must allege inequitable conduct with particularity, but not with undisputed proof. To arrive at this misapprehension, Mirror Worlds’ relies on the Federal Circuit’s August 4, 2009 decision in *Exergen Corp. v. Wal-Mart*. In reaffirming the Court’s inequitable conduct jurisprudence over the years, *Exergen* recognizes there are instances in which accused infringers allege inequitable conduct without pleading sufficient facts to state viable legal claims and put the patentee on notice of the allegations of fraud being made against it. In such circumstances, the Federal Circuit’s guidance is helpful in ensuring that the heightened pleading requirements of Rule 9(b) are met and that irresponsible allegations of inequitable conduct are not permitted. But *Exergen* does not create a heightened pleading standard that requires that inequitable conduct claims be dismissed or amended merely because the patent-holder *disagrees* with the merits of the allegations. Yet that is precisely what Mirror Worlds seeks here.

At the outset, Mirror Worlds tries to cast Apple’s inequitable conduct claims as some sort of irresponsible and abusive attempt to besmirch the reputations of those involved. Indeed, Mirror Worlds devotes the first several pages of its motion to attempting to establish Dr. Gelernter as the “good guy” and Apple as the “bad guy.” Mirror Worlds goes so far as to criticize Apple for accusing named inventor Dr. Gelernter of inequitable conduct because he is a “distinguished Professor of Computer Science at Yale University” and because Mirror Worlds

believes that Apple is a willful infringer. But these issues are plainly irrelevant to the adequacy of Apple's inequitable conduct pleading. While Mirror Worlds might wish to promote Dr. Gelernter or to cast aspersions on Apple, its naked attempt to use this motion to dismiss as a vehicle for those tactics is a perversion of *Exergen*.

At its core, *Exergen* seeks to encourage responsible pleading of fraud claims. That is precisely what Apple has done here. Apple purposely waited for months into the litigation, after document production and numerous relevant depositions had been concluded, before it pleaded its inequitable conduct defense. It did so precisely because it did not want to plead inequitable conduct lightly or without factual investigation and support. What that investigation revealed was a pattern of false statements and material omissions that prevented the Patent Office from fully and fairly examining the patents-in-suit. Cognizant of the seriousness of such claims—and of the underlying conduct—Apple's pleading set forth the factual basis for its inequitable conduct allegations in nearly 5 pages of its Second Amended Answer, including citation to relevant exhibits and to deposition testimony. Apple's allegations set forth in detail the “who,” “what,” “when,” “where,” and “how” of inequitable conduct required under *Exergen*. Mirror Worlds' attempt to side-step these specific allegations and persuade this Court to *not even consider* Apple's inequitable conduct claims should be rejected.

II. Federal Circuit Precedent Requires That Inequitable Conduct Be Pleaded With Particularity, Not With Undisputed Proof

It has long been the law that “[a] patent may be rendered unenforceable for inequitable conduct if an applicant, with intent to mislead or deceive the examiner, fails to disclose material information or submits materially false information to the PTO during prosecution.” *Digital Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006); *see also Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir.

2008). If material information was withheld or misrepresented to the PTO, one must determine whether such information was withheld or misrepresented with the intent to deceive or mislead the PTO. Intent to deceive the PTO may be found from direct evidence, but the Federal Circuit has long recognized that such direct evidence is exceedingly rare. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 (Fed. Cir. 1995). “The intent element of the offense is therefore in the main proven by inferences drawn from facts, with the collection of inferences permitting a confident judgment that deceit has occurred.” *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1274 (Fed. Cir. 2001) (internal citations omitted). “[W]here withheld information is material and the patentee knew or should have know of that materiality, he or she can expect to have great difficulty in establishing subjective good faith sufficient to overcome an inference of intent to mislead.” *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.* 326 F.3d 1226, 1239 (Fed. Cir. 2003).

Although inequitable conduct is a broader concept than fraud, the Federal Circuit has held that it must be pleaded with particularity under Rule 9(b). *Ferguson Beauregard/Logic Controls, Div. of Dover Resources, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003). As a result, a pleading must “provide the required particularity to give notice to the other party of the facts on which the defense is premised,” including for example what relevant and undisclosed prior art was known to the patentee or what false statements were made and how those statements were meant to mislead the Patent Office. *Central Admixture Pharmacy Services, Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1357 (Fed. Cir. 2007); compare *Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL 3161386, at *2 (E.D. Tex. Sept. 30, 2009) (dismissing with leave to amend a one sentence pleading because it provided no factual support for the inequitable conduct allegation, such as what information the patentee failed to disclose or why the non-disclosure constitutes inequitable conduct) with *MacLean-Fogg*

Co. v. Eaton Corp., No. 2:07 CV 472, 2008 WL 941967, at *1 (E.D. Tex. April 7, 2008) (holding inequitable conduct allegations were pleaded adequately where it included facts that “detail[ed] the time, place, speakers, and contents of the inequitable conduct” sufficient to give notice to the patentee).

The Federal Circuit’s recent decision in *Exergen* reaffirmed these principles. Citing its past precedent in *Central Admixture* and *Ferguson Beauregard*, among others, the Court clarified that the standard for pleading inequitable conduct under Federal Circuit law requires an identification of “the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO.” *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328 (Fed. Cir. 2009). Importantly, *Exergen* also reaffirmed Rule 9(b)’s standard that intent may be averred generally, so long as the pleading in question alleges sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind. *Id.*

Of course, nothing in *Exergen* changes the fundamental rule that a pleading need not proffer the ultimate proof on an issue. To the contrary, the Court must view the pleading in the light most favorable to the pleading party when it evaluates whether the pleading is sufficient. Whether the pleading party will prevail on the merits is a question for another day. *See, e.g., Computer Acceleration Corp. v. Microsoft Corp.*, 481 F. Supp. 2d 620, 627 (E.D. Tex. 2007) (“Viewing the pleading in the light most favorable to Microsoft, the court concludes that Microsoft properly pled who allegedly breached the duty of candor to the PTO and alleged specific facts to support its claim for intentional misconduct. CAC will be able to challenge the merits of Microsoft’s inequitable conduct claim at a later stage in the proceedings.”).

III. Apple’s Inequitable Conduct Claim Exceeds The Relevant Pleading Standards, Including As Articulated In *Exergen*

Apple’s inequitable conduct defense rests on two specific instances of material omission or misrepresentation that render the patents-in-suit unenforceable: (1) the failure to disclose Apple’s Piles work to the Patent Office; and (2) material misrepresentations that were made to the Patent Office to avoid meaningful examination of the ‘227 patent over Yale Technical Report 1070. D.I. 113 [Apple’s Second Amended Answer] at ¶¶ 41-53. In both cases, the evidence establishing inequitable conduct is clear and compelling. And in both cases, Apple has pleaded—with specificity exceeding that required under Federal Circuit precedent, including *Exergen*—that evidence.

A. Apple’s Inequitable Conduct Claim Based On The Material Omission Of Piles Passes Muster Under Rule 9(b) And *Exergen*

Although it goes to great pains to provide block quote after block quote from the *Exergen* case, Mirror Worlds’ motion pays very little attention to the actual allegations pleaded by Apple in this case. This is not surprising. Apple’s pleading identifies with particularity the exact elements identified by the Federal Circuit in *Exergen* in support of its inequitable conduct claim, including “the specific who, what, when, where, and how of the material misrepresentation or omissions committed before the PTO.” *Exergen Corp.*, 575 F.3d at 1328.

Specifically, Apple’s pleading alleges:

WHO — 41. The Patents-in-Suit are unenforceable under the doctrine of inequitable conduct. On information and belief, prior to the issuance of the ‘227 patent, **the named inventors of the Patents-in-Suit, David Gelernter and Eric Freeman**, were aware of material information, including prior art, but withheld, concealed and/or mischaracterized that information with the intent to deceive the U.S. Patent and Trademark Office (“Patent Office”). This information includes, without limitation, **Apple’s “Piles” technology, as described in, inter alia, the article**

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entitled “The ‘Pile’ metaphor for supporting casual organization of information,” by Richard Mander, Gitta Salomon, and Yin Yin Wong, (“the Piles article”), which appeared in the CHI ’92 Conference Proceedings, ACM Conference on Human Factors in Computing Systems, Monterey, California, 3-7, May 1992, pp. 627-634 (Exhibit B).

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42. Upon information and belief, the named inventors of the Patents-in-Suit had knowledge of the Piles article **during the pendency of U.S. Patent Application No. 08/673,255 and more than three years before the issuance of the ’227 Patent.** Named inventors Eric Freeman and David Gelernter made a submission to the CHI ’96 Conference on Human Factors in Computer Systems, Vancouver, British Columbia, Canada on April 13-18, 1996, entitled “Lifestreams: An Alternative to the Desktop Metaphor” (“Lifestreams submission”) (Exhibit C). The Lifestreams submission cites eight references, one of which is the Piles article. In addition, David Gelernter was familiar with Apple’s Piles technology at least as early as April 1996.

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43. Apple’s Piles technology, including for example, the Piles article, is **material** prior art to the ’227 Patent. **The Piles article discloses a technique for organizing all data units in a file system by taking all information coming into a computer system – including without limitation electronic documents, electronic mail, faxes, and voicemails – and organizing them into electronic “piles.” Specifically, the Piles article discloses generating a mainstream of files and substreams of the mainstream based on sorting data units into piles and sub-piles according to their timestamp. The Piles article also discloses creating a display of piles and sub-piles as a visual stack of data units, and using miniature document representations and “view cone” representations of those data units as “browse cards” and “glance views.”**

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44. The Piles article is **not cumulative** to any references disclosed in the prosecution of the ’227 Patent. **None of the references cited to the Patent Office describe Apple’s Piles technology,** which anticipates and/or renders obvious the ’227 Patent.

45. Upon information and belief, the named inventors of the Patents-in-Suit failed to disclose the Piles article during prosecution of the '227 Patent **with an intent to deceive the Patent Office.**

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D.I. 113 [Apple's Second Amended Answer] at ¶¶ 41-45.

Despite these detailed allegations, Mirror Worlds argues that Apple's inequitable conduct claim based on Piles is inadequate for failure to plead both materiality and intent with sufficient detail. Not so.

For materiality, Mirror Worlds implies that Apple has alleged Piles is material prior art only "by describing various disclosures of that article" but that Apple has not identified the claim elements of the '227 patent to which the disclosures are relevant, where in the Piles article those disclosures occur or how Piles discloses claim limitations that are absent from the record. Motion at 14-15. But Mirror Worlds' theory elevates form over substance. To be sure, Apple's pleading does not identify by number the claims to which Piles, including the Piles article, are material. Instead, Apple's pleading describes *claim limitations* to which the Piles article is material, including by explaining that the Piles article discloses generating a mainstream of files and substreams of the mainstream and creating a display of piles and sub-piles as visual stacks of data units and using "'browse cards' and 'glance views.'" D.I. 113 [Apple's Second Amended Answer] at ¶43. On their own, these disclosures map directly to the claim language of the asserted claims and provide particularity as to materiality under any fair reading.

But, importantly, these allegations do not stand alone. Mirror Worlds has long known how Apple contends that the Piles article is material because Apple provided Mirror Worlds with detailed claim charts mapping the Piles article to the '227 patent and other patents-

in-suit *on November 3, 2008* when it identified the Piles article as prior art in its Preliminary Invalidity Contentions. *See* Declaration of Sonal N. Mehta in Support of Apple’s Opposition To Mirror Worlds’ Motion To Dismiss (“Mehta Decl.”) at Exh. 1 [Apple’s Preliminary Invalidity Contentions] at 13A-13D; at Exh. 2 [Apple’s Proposed Amended Invalidity Contentions] at 13A-13D. These claim charts identify not only the claims of the ‘227 patent to which the Piles article is material, but provide citations to the specific pages of the Piles article that disclose, on a limitation-by-limitation basis, the claimed inventions of the ‘227 patent.¹ *Id.* Given that Mirror Worlds has had this analysis for over a year, its argument that Apple’s materiality showing is inadequate appears to amount only to an argument that Apple has not actually attached these claim charts to its pleading. Neither the case law nor common sense support such an argument.²

Likewise, Mirror Worlds’ argument that Apple’s pleading does not sufficiently allege intent for its inequitable conduct claim is in conflict with both law and logic. Here, the premise underlying Mirror Worlds’ argument is that “Apple’s *only* allegation in support of the inventors’ alleged intent to deceive is the fact that they cited to the Pile[s] article, along with eight other references, in a submission approximately two months before the ‘227 patent was

¹ If that were not enough, Apple has also filed reexamination requests before the Patent Office showing how Apple’s own Piles work as reflected in Apple’s patents renders the patents-in-suit invalid. *See* Mehta Decl. at Exhs. 3-6 [Apple Reexamination Requests]. Although the reexaminations are still pending, the Patent Office has already found that the Piles work creates a substantial new question of patentability for each of the four patents-in-suit, and for two of the patents-in-suit has issued office actions rejecting all asserted claims over Piles. *Id.* at Exh. 7-10 [SNQs for ‘227, ‘313, ‘427 and ‘999 patents]; Exh. 11-12 [Office Actions for ‘427 and ‘999 patents].

² Although Mirror Worlds’ argument champions form over substance *ad absurdum*, Apple provides herewith a draft amended pleading that attaches its claim charts and thereby eliminates this argument. *See* Mehta Decl. at Exh. 13 [Apple’s Proposed Amended Pleading]. Should the Court be inclined to find Apple’s allegations inadequate on materiality or otherwise, Apple respectfully requests leave to file the attached amended pleading to cure any such defect. *See* Section IV *infra*.

filed.” Motion at 11 (emphasis in original). However, Apple has pleaded that named inventors Eric Freeman and David Gelernter had knowledge of Apple’s Piles work more than three years before issuance of the ‘227 patent and not only cited it as one of only eight references relating to the Lifestreams work that led to the ‘227 patent, but also that Dr. Gelernter was familiar with Apple’s Piles work as early as April 1996. D.I. 113 [Apple’s Second Amended Answer] at ¶¶ 41-45. Given the extremely high materiality of the reference, the named inventors’ admitted knowledge of and citation to the Piles article as one of a few references closely related to their own work supports an inference that they intended to deceive the Patent Office. *See, e.g., Synventive Molding Solutions, Inc. v. Husky Injection Molding Systems, Inc.*, No. 2:08-cv-136, 2009 WL 3172740, at *3 (D. Vt. Oct. 1, 2009) (holding that inequitable conduct counterclaim was pleaded with sufficient facts to give rise to an inference of scienter because, “[u]nlike the situation in *Exergen*, where the pleading stated generally that the corporation was aware of two patents but provided no factual basis to infer that any specific individual knew of specific information in the patents that was material to the claims of the patent-in-suit, 575 F.3d at 1330, [the alleged infringer] has specifically alleged the individuals involved, the information withheld and why it was material”).

Mirror Worlds does not meaningfully dispute this. Instead, it relies on an analogy to the Court’s finding in *Exergen* that the pleading there was inadequate because it did not contain specific allegations to show that the individual knew of the specific material information because “a reference may be many pages long, and its various teachings may be relevant to different applications for different reasons.” Motion at 12 (citing *Exergen*, 575 F.3d at 1330). The problem with this analogy is that the circumstances are not analogous. This is not a situation in which the named inventors can claim not to understand the relevance of the Piles article to the

‘227 patent. Not only did they cite the article as relevant to the Lifestreams work underlying the patent, but the article itself is *only 8 pages long* and in that 8 pages describes a single metaphor for organizing information which maps closely to the metaphor that the named inventors claimed to have invented. While Mirror Worlds may dispute the merits of Apple’s claim that the named inventors withheld the Piles article with deceptive intent, they cannot meaningfully dispute that Apple has alleged enough facts *at the pleadings stage* to support such an inference.

B. Apple’s Inequitable Conduct Claim Based On The Material Misstatements Relating To Technical Report 1070 Passes Muster Under Rule 9(b) And *Exergen*

Just as with the Piles article, Mirror Worlds’ motion to dismiss Apple’s inequitable conduct claims based on the material misrepresentation of facts relating to Technical Report 1070 amounts, at bottom, to a dispute as to the merits of Apple’s allegations. That is not the proper subject matter for a motion to dismiss. *See, e.g., Computer Acceleration Corp.*, 481 F. Supp. 2d at 627 (“CAC will be able to challenge the merits of Microsoft’s inequitable conduct claim at a later stage in the proceedings.”).

Apple’s allegations include a detailed description of a pattern of false statements and omissions that were designed to mislead the Patent Office to believe that a key piece of prior art was not publicly available and thus need not be examined as prior art to the patents-in-suit. Apple’s pleading identifies the precise statements that were made to the Patent Office to persuade it that Yale Technical Report 1070—the named inventors’ own technical report setting forth in detail their claimed invention and distributed both for publication and to others in the industry—was not prior art. Apple’s pleading also identifies the evidentiary basis (both by way of documents and deposition testimony) establishing that those statements were false. In so doing, it provides the “who,” “what,” “when,” “where,” and “how” required by *Exergen*.

46. The Patents-in-Suit are also unenforceable under the doctrine of inequitable conduct because, on information and belief, individuals substantively involved in prosecuting the applications leading to the '227 patent made material misrepresentations to the Patent Office during prosecution. Specifically, with the March 19, 1998 Information Disclosure Statement (Exhibit D hereto), Richard Milner submitted to the Patent Office a copy of Yale Technical Report 1070 entitled "The 'Lifestreams' Approach to Reorganizing the Information World," dated April 1995. In submitting Technical Report 1070 to the Patent Office, **Mr. Milner stated that the report "was stored at Yale University in the files of Christopher Hatchell, an Administrative Associate, whose tasks included distribution of this Technical Report," but that "[a]ccording to Mr. Hatchell's records to the best of knowledge, this Technical Report was not distributed outside of the Department of Computer Science at Yale University."** The patentees also stated that **"the list containing bibliographic information about the Technical Report from which the technical report number was determined, is kept in a locked file in the Office of Computer Science at Yale University."** Mr. Milner did not identify Technical Report 1070 as prior art on the Information Disclosure Statement Form PTO-1449 submitted on March 19, 1998.

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47. These statements in the March 19, 1998 Information Disclosure Statement were false. Technical Report 1070 was distributed outside of the Office of Computer Science at Yale University. For example, Dr. Gelernter or other members of his group sent Technical Report 1070 to the Technology Review with the intent of having it published. As another example, a graduate student at the University of Toronto had a copy of Technical Report 1070 at least as of October 1996 when she completed her Masters thesis citing Technical Report 1070. In addition, in his February 5, 2009 deposition (Exhibit E hereto), **Christopher Hatchell, testifying as a corporate representative on behalf of Yale University, testified: "Q. Are you aware of any list containing bibliographic information about the technical report that is kept in a locked file in the Office of Computer Science at Yale University? A. No, I'm not."** and **"Q. So, as far as you know, the last sentence here: Further, the list containing bibliographic information about the technical report**

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from which the technical report number was determined is kept in a locked file in the Office of Computer Science at Yale University. As far as your knowledge goes, that statement is not accurate. A. Yes, it is not accurate.” February 5, 2009 Deposition of C. Hatchell (Exhibit E) at 195:8-196:2. **Mr. Hatchell also testified under oath: “Q. And you never told anyone that they should tell the patent office that the list containing bibliographic information about the technical report was kept in a locked file in the Office of Computer Science? A. To the best of my knowledge, I did not.”** February 5, 2009 Deposition of C. Hatchell (Exhibit E) at 196:3-7.

D.I. 113 [Apple’s Second Amended Answer] at ¶¶ 46-47.

Appreciating that undisputedly false statements are, standing alone, insufficient to establish inequitable conduct, Apple went on to plead with great particularity precisely why these false statements prevented a full and fair examination of the patents-in-suit and why individuals involved in the prosecution, including specifically the prosecuting attorney Mr. Milner, intended to deceive the Patent Office. Specifically, Apple’s pleading sets forth its allegations that the false statements were made with an intent to mislead the Patent Office into believing that Technical Report 1070 is not prior art such that the Patent Office would not consider it as part of its examination:

48. Upon information and belief, the false and misleading statements in the March 19, 1998 Information Disclosure Statement were made with an intent to deceive the Patent Office. Specifically, upon information and belief, these statements were **intended to mislead the Patent Office to believe that Technical Report 1070 was not a printed publication and that the information in it was not known or used by others in the United States, and thus did not qualify as prior art under 35 U.S.C. §102.**

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D.I. 113 [Apple’s Second Amended Answer] at ¶¶ 48.

Of course, it was vitally important to Mr. Milner and the named inventors that the

'227 patent not be examined over Technical Report 1070. As explained in Apple's pleading (again, with citation to evidentiary support identified in discovery), Technical Report 1070 qualifies as prior art under 35 U.S.C. § 102 both because it was published and because it was known and used by others in the United States more than one year before the application that led to the '227 patent was filed:

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49. Upon information and belief, the **Examiner did not consider Technical Report 1070 during prosecution of the '227 Patent.**

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50. Technical Report 1070 qualifies as prior art to the '227 Patent under 35 U.S.C. § 102(a) and (b). **Technical Report 1070 was a printed publication and/or was known or used by another in the United States on or around April 1995, more than one year before the June 28, 1996 filing of the application that led to the '227 Patent or the alleged invention by the named inventors.** Technical Report 1070 had **been distributed to Technology Review** with the initial intent that it be published and had also been **distributed to at least one graduate student at the University of Toronto.** In addition, Technical Report 1070 was **available for distribution to any individual requesting it within one week of the April 1995 date on its face.** See, e.g., February 5, 2009 Deposition of C. Hatchell (Exhibit E) at 134:18-135:17. Further, a person visiting the Computer Science Department at Yale in the late 1980s to mid 1990s would be told what technical reports had been published by the department if they were requesting that information, and that technical reports were available without restriction to individuals requesting them during that time. See, e.g, February 5, 2009 Deposition of C. Hatchell (Exhibit E) at 120:14-25.

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51. Technical Report 1070 is material prior art to the '227 Patent. **Technical Report 1070 describes work done in conjunction with the Lifestreams Project at Yale and is authored by, inter alia, the named inventors of the '227 Patent. Technical Report 1070 describes some of the core concepts of the inventions claimed in the '227 Patent. For example, Technical Report 1070 discloses a technique for organizing all data units or information chunks into "a stream chronologically by the date and time at which they were created (for chunks created by the owner) or added to the**

stream (for chunks arriving from the outside world).” Technical Report 1070 also discloses substreams, which are lists of all data units or information chunks that satisfy some search criteria, and discloses that substreams are persistent because “a substream lives until it is killed.” Technical Report 1070 further discloses that data units or information chunks can be classified chronologically into “past, present or future,” a feature that patentees argued was missing from the prior art and that the Examiner identified as a basis for allowance.

52. Technical Report 1070 is **not cumulative** to any references disclosed in the prosecution of the '227 Patent. Technical Report 1070 is a detailed disclosure of the Lifestreams work conducted at Yale and anticipates and/or renders obvious the '227 Patent.

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D.I. 113 [Apple’s Second Amended Answer] at ¶¶ 49-52.

In short, the named inventors and Mr. Milner had every reason to persuade the Patent Office not to examine the ‘227 patent application over Technical Report 1070 and submitted a false IDS to achieve that goal.

Not surprisingly given the above, Mirror Worlds’ motion to dismiss does not dispute that Apple has pleaded with specificity what false statements were made to the Patent Office or why. Indeed, Mirror Worlds does not even dispute that the statements made to the Patent Office were false. Instead, Mirror Worlds’ motion to dismiss is based on its theory that Apple has not adequately pleaded materiality because “the alleged distributions of TR-1070 Apple cites are simply *not material to the ‘227 patent as a matter of law*” and because TR-1070 is not a printed publication under 35 U.S.C. § 102. Motion at 15-18. The problem with Mirror Worlds’ theory is that these alleged inadequacies, on their face, go to the *merits* of Apple’s claim and not the adequacy of Apple’s pleading. *See, e.g., MacLean-Fogg Co.*, 2008 WL 941967, at *1 (holding inequitable conduct allegations were adequate where they gave notice to the patentee). The very fact that Mirror Worlds devotes pages to attempting to refute Apple’s allegations itself establishes that Mirror Worlds has notice of and understands what Apple has alleged.

Indeed, Mirror Worlds has always understood Apple's inequitable conduct allegations. As Mirror Worlds' motion acknowledges, Apple first provided Mirror Worlds with its inequitable conduct allegations relating to Technical Report 1070 in March 2009, following both document and deposition discovery from Yale University and its employees relating to the report and the statements made to the Patent Office about it. Motion at 4. With those allegations in mind, Mirror Worlds searched for and found Ms. Julie Teodosio, a former Yale employee that Mirror Worlds claims was responsible for maintaining the bibliographic notebook for Yale technical reports. It then obtained a declaration from her that it contends contradicts Apple's inequitable conduct allegations. *Id.* at 4-5. In an abundance of caution, Apple held off on filing its inequitable conduct counterclaim until after it had deposed Ms. Teodosio and revised its pleadings to comport with the discovery it had obtained from Ms. Teodosio and other relevant individuals and entities. *Id.* at 5. While Mirror Worlds appears to believe that this history undermines Apple's pleading, quite the contrary is true. The fact that Mirror Worlds located Ms. Teodosio and worked with her to prepare a declaration purportedly disproving Apple's allegations establishes that Mirror Worlds understood them and had already begun to prepare its response.

Not only has Apple alleged facts and evidence underlying its allegations that Technical Report 1070 qualifies as a printed publication under governing Federal Circuit precedent sufficient to give Mirror Worlds notice of its claims,³ but Apple has alleged that

³ Of course, a "printed publication" is not narrowly limited to documents that are "published" as books or in magazines or journals. Rather, a "printed publication" is a reference that is sufficiently accessible to the public interested in the art based on the circumstances surrounding the disclosure. *See, e.g., In re Lister*, ___ F.3d ___, No. 2009-1060, 2009 WL 2998922, at *3-*4 (Fed. Cir. Sept. 22, 2009) ("[W]e must consider all of the facts and circumstances surrounding the disclosure and determine whether an interested researcher would have been sufficiently capable of finding the reference and examining its contents."). Here,

Technical Report 1070 “was known or used by another in the United States on or around April 1995, more than one year before the June 28, 1996 filing of the application that lead to the ‘227 Patent or the alleged invention by the named inventors.” D.I. 113 [Apple’s Second Amended Answer] at ¶ 50. Mirror Worlds does not even purport to dispute that Technical Report 1070 was known to others at least as early as April 1995 or that it understands that Apple has pleaded that. This alone establishes the adequacy of Apple’s pleading as to the materiality of the misrepresentations regarding Technical Report 1070’s status as prior art, including in particular the false statements that the report was not distributed outside of the Department of Computer Science at Yale University. *Id.* at ¶¶ 46-47; Mehta Decl. at Exh. 16 [Hatchell Deposition] at 195:8-196:2, 196:3-7 (testimony of C. Hatchell that the statements in the IDS were not accurate).

Likewise, Mirror Worlds has not come close to showing that Apple’s allegations of intent are inadequate under *Exergen* or any other standard. Here, Mirror Worlds’ sole argument is that Apple has not alleged that Mr. Milner knew of the falsity of the material misstatements that underlie Apple’s inequitable conduct claim. To be sure, Apple does not make that allegation in exactly those words. But Apple has alleged that “individuals substantively involved in prosecuting the applications leading to the ‘227 patent made material

Apple has uncovered and pleaded evidence not only that Technical Report 1070 was actually distributed to the interested public (including to a journal for formal publication and to at least one individual in academia), but that it was available to any individual requesting it from the responsible individuals at Yale University. D.I. 113 [Apple’s Second Amended Answer] at ¶ 50; *see also, e.g.*, Mehta Decl. at Exh. 14 [Hatchell Depo.] at 134:18-135:17. And on the question of “whether anyone would have been able to learn of its existence and potential relevance,” *Lister*, 2009 WL 2998922, at *6, Apple has determined from deposition testimony of a corporate designee for Yale University and pleaded that a person visiting the Computer Science Department at Yale in the late 1980s to mid 1990s would be told what technical reports had been published by the department if they were requesting that information, and that technical reports were available without restriction to individuals requesting them during that time. D.I. 113 [Apple’s Second Amended Answer] at ¶ 50; *see also, e.g.*, Mehta Decl. at Exh. 15 [Hatchell Depo.] at 120:14-25.

misrepresentations to the Patent Office during prosecution” and that Mr. Milner made false statements to the Patent Office in the March 19, 1998 Information Disclosure Statement, but Apple has pleaded that those statements were made with an intent to deceive the Patent Office into believing that Technical Report 1070 was not prior art under 35 U.S.C. § 102. D.I. 113 [Apple’s Second Amended Answer] at ¶ 46-48. When coupled with the allegation that Mr. Hatchell testified under oath that he “never told anyone that they should tell the patent office that the list containing bibliographic information about the technical report was kept in a locked file in the Office of Computer Science,” the inference that Mr. Milner knew of the falsity of the statements and made them anyway is more than reasonable. *Id.* at ¶ 47.

IV. At A Minimum, Apple Should Be Permitted To Amend Its Pleading

As set forth above, Apple respectfully submits that its inequitable conduct counterclaims are more than adequate to meet the pleading requirements of Rule 9(b) and *Exergen*. However, should this Court find that Apple’s pleading is somehow deficient, it should, consistent with the fundamental principle that pleadings should not be dismissed under Rule 12(b)(6) without leave for amendment to cure deficiencies identified by the Court, permit Apple leave to amend its pleading. *See, e.g., Hart v. Bayer Corp.*, 199 F.3d 239, 247 n.6 (5th Cir. 2000) (noting that failure to meet the specific pleading requirements of Rule 9(b) “should not automatically or inflexibility result in dismissal of the complaint with prejudice to re-filing” and that a court should not grant dismissal without granting leave to amend, unless the defect is simply incurable or the plaintiff has failed to plead with particularity after being afforded repeated opportunities to do so). To facilitate that process, Apple has already drafted an amended pleading which it believes provides even further evidentiary support for its inequitable conduct claims and addresses the purported deficiencies identified in Mirror Worlds’ motion.

See Mehta Decl. at Exh. 13 [Apple's Proposed Amended Pleading]; Mehta Decl. at Exh. 17 [Redline of Apple's Inequitable Conduct Allegations]. Should the Court decide not to deny Mirror Worlds' motion altogether, Apple respectfully submits that it grant leave for the amended pleading being submitted concurrently herewith and deny Mirror Worlds' motion as moot on that basis.

V. Conclusion

For the foregoing reasons, Apple respectfully requests that Mirror Worlds' motion be denied.

Dated: October 16, 2009

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was filed electronically in compliance with Local Rule CV-5 on this 16th day of October, 2009. As of this date, all counsel of record have consented to electronic service and are being served with a copy of this document through the Court's CM/ECF system under Local Rule CV-5(a)(3)(A).

/s/ Sonal N. Mehta
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