

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

Mirror Worlds' reply brief shows that the dispute in this motion has been effectively narrowed to a single question: whether Apple's inequitable conduct pleading alleges intent to deceive with sufficient detail. As explained below and in Apple opposition, it does.

As the Court is well aware, inequitable conduct has two components, materiality and intent. The materiality component must be pled with particularity under Rule 9(b); the intent component may be averred generally. In reply, Mirror Worlds does not even attempt to refute the detailed showing in Apple's opposition that it has pled the materiality component with the required particularity, satisfying the "who," "what," "when," "where," and "how" test set forth in

Exergen Corp. v. Wal-Mart Stores, Inc., 575 F.3d 1312, 1327 (Fed. Cir. 2009). Instead, Mirror Worlds argues that Apple has failed to properly allege intent to deceive both with respect to the withholding of information about Apple's Piles technology ("Piles"), and with respect to the false statements made to the Patent Office regarding Yale Technical Report 1070 ("TR 1070").

Mirror Worlds apparently believes that *Exergen* forecloses an inference of intent at the pleading stage where the inventors "fail[] to disclose a prior art reference which they cited to in a paper." Reply at 5. That broad reading of *Exergen* is incorrect. In fact, *Exergen* only held that a pleading that failed to meet the "who," "what," "when," "where," and "how" test as to materiality was also insufficient to sustain an inference as to intent. *Exergen*, 575 F.3d at 1330-31. Confirming this, in post-*Exergen* cases like *Synventive Molding v. Husky Injection Molding*,¹ courts have found that where a pleading has specifically alleged the individuals involved, the information withheld, and why it was material, intent to deceive may be inferred. This is consistent with the Federal Circuit's rule that "[w]here withheld information is material and the patentee knew or should have known 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 v. Rhone-Poulenc Rorer*, 326 F.3d 1226, 1239 (Fed. Cir. 2003).

Mirror Worlds' reliance on *Astrazeneca Pharms. LP v. Teva Pharms. USA, Inc.*, 583 F.3d 766 (Fed. Cir. 2009) is misplaced for the same reasons. To be sure, *Astrazeneca* stands for the proposition that "intent to deceive cannot be inferred from a high degree of materiality alone," such that the two requirements for an inequitable conduct showing merely collapse into

¹ *Synventive Molding Solutions, Inc. v. Husky Injection Molding Sys., Inc.*, 2009 WL 3172740, *3 (D. Vt. Oct. 1, 2009) (denying motion to dismiss 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").

the materiality analysis. That proposition is not disputed, nor is it relevant. Apple is not asking the Court to double-count materiality to preempt intent—it is merely asking the Court to consider the facts underlying the materiality of Piles because they support an inference of intent under the circumstances. This is completely consistent with years of Federal Circuit precedent, including *Astrazenca* itself, where the court stated that it is the duty of the district court to “consider the evidence and all reasonable factual inferences, in light of the applicable law and the burdens and standards of proof.” *Id.* at 771.

Here, Apple’s pleading explains why the Piles work is material, a conclusion backed up by the Patent Office’s decision to declare reexaminations of each of four patents-in-suit because Apple’s Piles patent raised substantial new questions of patentability as to each of them. D.I. 113 [Apple’s Second Amended Answer] at ¶ 43. Apple’s pleading also shows that Dr. Gelernter and Dr. Freeman knew of that materiality. They both knew of the Piles work, and they knew that it pertained to the “Lifestreams” subject matter they patented, because shortly before filing their patent application, they cited it as one of nine references in a paper *about Lifestreams*—not in some unrelated patent application, as in *Exergen*. D.I. 113 [Apple’s Second Amended Answer] at ¶ 42. Indeed, contrary to Mirror Worlds’ suggestion that Drs. Gelernter and Freeman cited the Piles article “merely as background information,” their citation to the Piles article as one of several “[s]tudies [that] have shown that users of common desktop systems have difficulty’ performing a variety of functions” confirms just how material the Piles article is. It is exactly these difficulties in the common desktop system identified in the Piles article that are at the heart of the purported invention of the patents-in-suit, which claim to present a solution to the disadvantages associated with conventional operating systems using this desktop metaphor.

’227 patent at 1:20-59. And ultimately, after six years of withholding Piles from the Patent

Office (during which time they obtained both the '227 patent and a notice of allowance for the second of the four patents-in-suit) they finally submitted Apple's Piles patent to the Patent Office. These facts amply support an inference that Dr. Gelernter and Dr. Freeman knew of Piles, knew it was material, and yet withheld it with intent to deceive. *See, e.g., Bristol-Myers Squibb*, 326 F.3d at 1239, *Garmin Ltd. v. Tomtom Inc.*, 2007 WL 2903843, *2 (E.D.Tex. Oct. 3, 2007) (upholding an inequitable conduct pleading based on failure to disclose a textbook because "it is plausible from the counterclaim that the inventors read the book while possessing it" and thus had knowledge of the textbook's contents that lead to a duty to disclose).

Mirror Worlds' arguments as to TR 1070 fail for similar reasons. Mirror Worlds acknowledges that Apple has alleged that Mr. Milner made a material and false statement to the Patent Office. Reply at 6. Yet Mirror Worlds argues that this is not enough to allow an inference of intent. Reply at 6-9. Again, Mirror Worlds is wrong. The particular false statements at issue here—that TR 1070 had not been distributed outside the Yale Computer Science Department, and that the only index referencing it was kept in a locked file—were clearly made for the specific purpose of convincing the Patent Office that TR 1070 is not prior art, when in fact it is. There is no other reasonable explanation for why Mr. Milner would have made these false statements. Those facts alone are sufficient to show intent to deceive.

But there is more: Mr. Milner stated to the Patent Office that the false statements were "[a]ccording to Mr. Hatchell's records and to the best of his knowledge." D.I. 113 [Apple's Second Amended Answer] at ¶ 46. However, as Apple has alleged, Mr. Hatchell testified in deposition that he believed the index was *not* kept in a locked file, and that to the best of his knowledge he had never told anyone that they should tell the Patent Office that it was. D.I. 113 [Apple's Second Amended Answer] at ¶ 47. In other words, not only were Mr. Milner's

statements themselves false, his representation that they were based on Mr. Hatchell's knowledge and records was also false. It is more than reasonable to infer from these facts that Mr. Milner intended to deceive the Patent Office because he knew or should have known of that his statements were false. *See, e.g., Bristol-Myers Squibb*, 326 F.3d at 1239.

Accordingly, Apple respectfully requests that Mirror Worlds' motion be denied.

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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 9th day of November, 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/ Stefani C. Smith
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