

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

ANASCAPE, LTD.,

Plaintiff,

v.

MICROSOFT CORP. and
NINTENDO OF AMERICA INC.

Defendants.

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Civil Action No.: 9:06-CV-00158-RC

JUDGE RONALD CLARK

**DEFENDANTS’ PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW ON
THE ISSUE OF UNENFORCEABILITY OF THE ‘525 AND ‘700 PATENTS
DUE TO INEQUITABLE CONDUCT**

This matter having been set for bench trial to determine the issue of inequitable conduct, witnesses having been sworn, evidence having been presented, and each party having been duly heard, the Court hereby enters the following findings and conclusions pursuant to Federal Rule of Civil Procedure 52.

I. SUMMARY

1. Defendants Microsoft Corporation (“Microsoft”) and Nintendo of America Inc. (“Nintendo”) (collectively “Defendants”) argue that the ‘525 and ‘700 patents are unenforceable as a result of inequitable conduct that Brad A. Armstrong committed during prosecution of the application that issued as the ‘525 patent.

2. Defendants assert that Mr. Armstrong committed inequitable conduct in prosecuting the application that issued as the ‘525 patent by intentionally and deceptively

withholding information from the Patent Office regarding the prior art CyberMan controller that was highly material to both the '525 and '700 applications, thus rendering the '525 patent unenforceable due to inequitable conduct and the '700 patent unenforceable under the doctrine of infectious unenforceability.

3. Defendants contend that Mr. Armstrong was aware of CyberMan well before filing the application that issued as the '525 patent, and that Mr. Armstrong knew that CyberMan included a flexible membrane sheet on which an input member movable in at least two axes and a plurality of finger depressible buttons are placed.

4. Defendants argue that Mr. Armstrong knew that the combination of a flexible membrane sheet on which an input member movable in at least two axes and a plurality of finger depressible buttons are placed was the central reason for the allowance of the '525 application, and that Mr. Armstrong intentionally and deceptively failed to disclose to the Patent Office that CyberMan included this very combination.

5. Defendants assert that Mr. Armstrong intentionally and deceptively hid this highly material prior art from the Patent Office in order to obtain the '525 patent.

6. Defendants argue that Mr. Armstrong's actions in intentionally and deceptively hiding the highly material CyberMan controller from the Patent Office constitute inequitable conduct in the prosecution of the '525 patent.

7. Defendants further argue that the inequitable conduct that occurred during prosecution of the '525 application spills over to and infects the '700 patent, thus rendering it unenforceable. Defendants argue that the '700 patent is not immunized from the inequitable conduct under the limited protection established by the Federal Circuit in *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321 (Fed. Cir. 1998). Defendants assert that under *Baxter*, the '700

patent avoids the taint of the inequitable conduct stemming from the '525 patent only if (1) a restriction requirement was issued by the Patent Office in the '525 application identifying the claims of the '700 patent as being directed to a patentably distinct invention and Mr. Armstrong subsequently separated those claims from the '525 application (and thus from the '525 patent claims tainted by the inequitable conduct) through a divisional application and (2) the subject matter of the withheld prior art CyberMan controller bears no relation to the claims of the '700 patent. Defendants argue that neither prong of the test for *Baxter* protection can be satisfied as to the '700 patent and that, accordingly, the '700 patent is unenforceable under the doctrine of infectious unenforceability.

8. Having heard the argument and evidence presented by both sides, this Court agrees with Defendants and finds (1) that the CyberMan controller was highly material to the patentability of the '525 application, (2) that Mr. Armstrong intentionally and deceptively withheld CyberMan from the Patent Office during prosecution of the '525 application, (3) that the high materiality of CyberMan and Mr. Armstrong's actions in intentionally and deceptively withholding CyberMan from the PTO constitute inequitable conduct, and (4) that *Baxter* protection is not available for the '700 patent and thus the '700 patent is infected by Mr. Armstrong's inequitable conduct. Having considered and weighed the levels of materiality and intent here, Mr. Armstrong's actions justify a conclusion that the '525 patent and the '700 patent are unenforceable due to Mr. Armstrong's inequitable conduct.

II. FINDINGS OF FACT

A. Lineage of the Asserted '525 and '700 Patents

9. The '525 and '700 patents are part of the same chain of related patents. This patent chain includes non-asserted U.S. patents 5,589,828 ("the '828 patent") and 5,565,891 ("the '891 patent"), which are identified on the front page of the '525 and '700 patents under

“Related U.S. Application Data.” (DX 18, ‘525 Patent; DX 1, ‘700 Patent).

10. The first application in the chain was filed with the Patent Office (PTO) by Mr. Armstrong on March 5, 1992, and assigned application number 07/847,619 (“the ‘828 application”). This application issued as the ‘828 patent on December 31, 1996. (DX 25, ‘828 Patent).

11. The second application in the chain was filed by Mr. Armstrong on February 23, 1995, and assigned application number 08/393,459 (“the ‘891 application”). This application issued as the ‘891 patent on October 15, 1996. The ‘891 patent is identified as a continuation-in-part of the ‘828 patent. (DX 21, ‘891 Patent).

12. The third application in the chain was filed by Mr. Armstrong on July 5, 1996, and assigned application number 08/677,378 (“the ‘525 application”). On August 4, 2000, the 1996 application was effectively abandoned when Mr. Armstrong filed a continue prosecution application request with the PTO. (PX 4¹, August 4, 2000 CPA, Application Cover Sheet). The continued prosecution application was given the same application number assigned to the 1996 application. The continued prosecution application issued as the ‘525 patent on April 24, 2001. The ‘525 patent is identified as a continuation-in-part of the ‘828 patent and also a continuation-in-part of the ‘891 patent. (DX 18, ‘525 Patent).

13. The fourth application in the chain was filed by Mr. Armstrong on November 16, 2000, and assigned application number 09/715,532 (“the ‘700 application”). This application issued as the ‘700 patent on June 14, 2005. The ‘700 patent is identified as a continuation of the ‘525 patent, which is a continuation-in-part of the ‘891 patent, which is a continuation-in-part of

¹ Defendants are citing to the ‘525 Patent Prosecution History identified as Plaintiff’s trial exhibit 4 (PX 4) as it has come to Defendants’ attention that their corresponding trial exhibit (DX 12) was inadvertently provided in an incomplete form.

the '828 patent. (DX 1, '700 Patent).

B. The CyberMan Controller

14. The CyberMan controller was commercially available from Logitech in 1993. (Armstrong Deposition of March 17, 2008 at 36:11-16; DX 2, '700 Patent Prosecution History at NAA00016134).

15. The CyberMan controller has a flexible membrane sheet on which an input member movable in at least two axes and a plurality of finger depressible buttons are placed. (DX 2 at NAA00016134-36). The flexible membrane sheet in the CyberMan controller can be easily seen when the product is opened up. (DX 293, Annotated Photos of CyberMan at ANS0017591).

16. In a 1993 brochure, Logitech advertised the CyberMan controller as a 3D mouse-style controller for use in controlling video game images on a screen that has an input member handle mounted on a base and several finger-depressible buttons mounted in the head of the handle to provide additional game control. (DX 56, CyberMan Brochure; *see also* DX 22, '828 Patent Prosecution History, CyberMan Brochure Attached to the June 3, 1994 Response).

17. The 1993 brochure does not disclose the fact that the CyberMan product includes a flexible membrane sheet on which an input member movable in at least two axes and a plurality of finger depressible buttons are placed. (DX 56, CyberMan Brochure; *see also* DX 22, CyberMan Brochure Attached to the June 3, 1994 Response).

C. Mr. Armstrong was Intimately Familiar with the CyberMan Product

18. In 1992, Mr. Armstrong was trying to license the technology claimed in the '828 application. (DX 22, June 3, 1994 Response at p. 2).

19. Pursuant to a 1992 Non-Disclosure Agreement with Logitech, Mr. Armstrong disclosed information about the invention claimed in the '828 application so that Logitech could

decide whether to license that technology. (DX 22, Non-Disclosure Agreement Attached to the January 11, 1996 Response).

20. No agreement was reached and thus Logitech did not license the technology claimed in the '828 application. (DX 22, January 11, 1996 Response at p. 60).

21. In 1993, Mr. Armstrong learned that Logitech was marketing the CyberMan controller.

22. While attending the 1993 Consumer Electronics Show (CES) in Nevada, Mr. Armstrong visited Logitech's booth, saw the CyberMan controller connected to a personal computer on which users could play a video game, and actually used the CyberMan controller to play a game in which his character had a gun that could be fired by pressing a button on the CyberMan. (DX 57).

23. Mr. Armstrong also came into possession of the 1993 brochure advertising the CyberMan controller. (DX 22, CyberMan Brochure Attached to the June 3, 1994 Response).

24. By early 1994 at the latest, Mr. Armstrong obtained, took apart and examined a CyberMan controller. (Armstrong Deposition of March 18, 2008 at 705:8-22; 706:5-14). At that time, he learned that CyberMan included an element structured to activate two bi-directional proportional sensors, four unidirectional sensors, a plurality of independent finger depressible buttons and a flexible membrane sheet. (Armstrong Deposition of March 18, 2008 at 708:12 to 709:7; 709:23 to 710:4). Thus, he knew that CyberMan had a flexible membrane sheet on which an input member movable in at least two axes and a plurality of finger depressible buttons are placed. (DX 2 at NAA00016134-36).

25. Once Mr. Armstrong became aware of CyberMan in 1993/1994, he accused Logitech of stealing his technology. (*See e.g.*, DX 22, June 3 1994 Response at p. 2; DX 22, July

25, 1995 Applicant Interview Summary Records and Official Request at p. 2). His communications with Logitech at this time became highly contentious.

26. Mr. Armstrong stated that CyberMan was a “precise copy” of the invention claimed in the ‘828 application and that he was losing a huge sum of royalties that he felt entitled to from CyberMan sales. (DX 22, June 3, 1994 Response at p. 2).

27. However, CyberMan had at least one feature that Mr. Armstrong knew was not disclosed in the ‘828 application – the use of a flexible membrane sheet. (DX 2 at NAA00016134).

28. Mr. Armstrong also knew that the flexible membrane sheet of CyberMan was not disclosed in the 1993 CyberMan brochure, and that the only way to discover CyberMan’s flexible membrane sheet feature was to open it up, which he had done by early 1994. (DX 56; (Armstrong Deposition of March 18, 2008 at 705:8-22; 706:5-14; 708:12 to 709:7; 709:23 to 710:4).

29. After the ‘525 patent issued, Mr. Armstrong filed an Information Disclosure Statement with the PTO in the ‘700 application. In this submission, Mr. Armstrong provided a detailed disclosure of the CyberMan controller, including photographs he had taken of the CyberMan in an assembled and disassembled state (which he labeled as photographs 1, 2 and 3, and annotated to identify the controller’s elements – including the flexible membrane sheet). This disclosure confirms what Mr. Armstrong knew by early 1994: that the CyberMan controller included the combination of a flexible membrane sheet on which an input member movable in at least two axes and a plurality of finger depressible buttons are placed. (DX 2 at NAA00016134-

36; DX 293, ANS0017586-95 - Photographs of CyberMan²).

30. Mr. Armstrong represented to the PTO that in Photograph 2, a portion of CyberMan as disassembled is shown, with a “handle, three buttons, a microswitch for one of the buttons, a wiring harness spanning between a membrane located in the handle and a circuit board located in the base” and that CyberMan includes structure moveable in two axes (DX 2 at NAA00016135; DX 293 at ANS0017586).

31. Mr. Armstrong further represented to the PTO that Photograph 3 shows the handle of CyberMan in an upside-down position and a motor with offset weight for providing active tactile feedback. (DX 2 at NAA00016135; DX 293 at ANS0017591).

32. Photograph 3 of CyberMan clearly shows what Mr. Armstrong discovered in 1994 when he opened up and examined the CyberMan controller: a flexible membrane sheet having an input member movable in at least two axes and finger depressible buttons placed thereon. (DX 293 at ANS0017591).

33. Mr. Armstrong also offered to provide the examiner of the ‘700 application with a working CyberMan device so he could examine the actual CyberMan himself. (DX 2 at NAA00016136). This suggests that in 2003 Mr. Armstrong had available the CyberMan controller that he obtained, disassembled and examined in 1994. (Id.). Mr. Armstrong also offered the examiner the use of a screwdriver, further suggesting that it would have been merely a matter of unscrewing the CyberMan device in order to take it apart to examine its internal components. (Id.).

² These copies of annotated photographs labeled 1, 2 and 3 were produced by Anascape and appear to correspond to the photographs that Mr. Armstrong submitted to the PTO in the ‘700 patent prosecution proceedings.

D. In the '828 and '891 Applications, Mr. Armstrong Argued that CyberMan was Not Prior Art but Infringing Art

34. Mr. Armstrong was so incensed with Logitech that in June 1994 he begged the PTO to help him get the '828 application allowed quickly because of his belief that CyberMan copied his '828 invention and that he was entitled to the royalties from sales of the CyberMan product. (DX 22, June 3, 1994 Response at pp. 2-3 and 15). Mr. Armstrong also gave the PTO a copy of the 1993 CyberMan brochure to support his plea for expedited allowance. (DX 22, Brochure Attached to the June 3, 1994 Response). Mr. Armstrong did not disclose any specific features of CyberMan in this submission. (Id., see also, Deposition of Brian Carlson, October 4, 2007, 130:1 to 133:7).

35. The examiners in charge of the '828 application (Andrew Hill and John Peng), mistakenly believing that Mr. Armstrong was trying to make a disclosure of prior art for consideration in the '828 application, issued an Office Action advising Mr. Armstrong that the CyberMan brochure would be placed in the prosecution file for the '828 application but would not be considered unless Mr. Armstrong submitted it in a proper Information Disclosure Statement (IDS), in accordance with 37 C.F.R. §§ 1.97 and 1.98. (DX 22, September 28, 1994 Office Action at p. 2).³

36. In response, Mr. Armstrong indicated that he was not submitting the CyberMan brochure as prior art because he believed that the CyberMan device was not “material to the patentability of the present invention because it is not “prior art” but rather is infringing art....” (DX 22, January 11, 1995 Response at p. 4).

37. Shortly after this communication, on February 23, 1995, Mr. Armstrong filed the application that issued as the '891 patent. (DX 21, '891 Patent).

³ This warning was repeated in a subsequent Office Action issued in the '828 patent prosecution proceedings. (DX 22, May 11, 1995 Office Action at p. 2).

38. In July 1995, the examiners in charge of the '891 application (D. Chow and Tommy Chin) apparently found the CyberMan brochure from a review of the parent '828 application file and issued an Office Action rejecting the '891 application claims in view of CyberMan. (DX 20, '891 Prosecution History, July 5, 1995 Office Action).

39. On September 25, 1995, Mr. Armstrong had a telephone interview with Examiner Chow to discuss the application of CyberMan to the claims of the '891 application. (DX 20, Examiner Interview Summary Record, October 2, 1995). Mr. Armstrong argued that the '891 application was a continuation of the '828 application and thus entitled to claim the benefit of the '828 application's 1992 filing date. Thus, he argued that the 1993 CyberMan brochure could not apply as prior art since it was published after the filing date of the '828 application. (Id.). Examiner Chow then withdrew the July 5 Office Action. (Id.).

40. In January 1996, just six months before he filed the application that issued as the '525 patent, Mr. Armstrong was still trying to get the '828 application allowed, and made another plea to the PTO, this time urging that CyberMan be viewed as evidence of commercial success of the invention claimed in the '828 application. (DX 22, January 11, 1996 Response at pp. 59-60). Again, he did not disclose any specific features of CyberMan. (Id. at pp. 57-61). On April 1, 1996, the examiners issued a Notice of Allowance. (DX 22, April 1, 1996 Notice of Allowance).

41. At no time during prosecution of the '828 or '891 applications did Mr. Armstrong ever tell the PTO examiners that CyberMan contained a flexible membrane sheet feature, and it is clear that the 1993 brochure did not show that feature.

42. Thus, while PTO examiners who subsequently reviewed the prosecution file for the '828 and '891 applications would see the CyberMan brochure, they would not know that

CyberMan included a flexible membrane sheet feature because that feature is not disclosed in the brochure (see DX 56), or in the prosecution histories for the two applications. (DX 22; DX 20).

E. Mr. Armstrong Never Disclosed CyberMan to the PTO During Prosecution of the '525 Application

43. When Mr. Armstrong filed the '525 application on July 5, 1996, he was intimately familiar with CyberMan – it having been only 6 months since he pleaded with the PTO to allow the '828 application to issue as a patent in view of CyberMan's alleged commercial success.

44. As originally filed, the '525 application was titled 6 DOF Graphic Controllers With Sheet Connected Sensors and identified as a continuation-in-part of the '891 application. (PX 4, 1996 Application).

45. The '525 application was very different from the '891 and '828 applications. As Mr. Armstrong later admitted, one key distinction was that the '525 application disclosed the use of a flexible membrane sheet. (DX 2 at NAA00016134). The earlier '891 and '828 applications did not disclose a flexible membrane sheet element. (Id.).

46. The '891 patent and the '828 patent do not mention a membrane, let alone a flexible membrane. (DX 21; DX 25). As the inventor and person responsible for prosecuting the applications that issued as these patents, Mr. Armstrong was certainly aware that neither disclosed a flexible membrane sheet feature.

47. Because neither the '891 nor '828 applications provide support for a flexible membrane sheet element, Mr. Armstrong could not rely on either of those applications to remove the 1993 CyberMan controller as prior art with respect to the '525 application filed on July 5, 1996.

48. Nonetheless, Mr. Armstrong, still upset about his failed dealings with Logitech and perceived financial loss, included claims in the '525 application that would cover the

membrane sheet used by Logitech in the CyberMan product. (*See e.g.*, PX 4, 1996 Application, Dependent Claims 10 and 14). Having intimate knowledge that CyberMan included a flexible membrane sheet in combination with other elements that he was trying to claim in the ‘525 application (*e.g.*, an input member movable in at least two axes, a plurality of finger depressible buttons, vibration and 6 DOF movement), Mr. Armstrong knew that the flexible membrane sheet feature together with other elements present in his claims already existed in the prior art CyberMan controller manufactured by Logitech. (*See e.g.*, DX 56; Armstrong Deposition of March 17, 2008 at 36:9-22; Armstrong Deposition of March 18, 2008 at 705:8-22; 706:5-14; 708:12 to 709:7; 709:23 to 710:4).

49. Moreover, when Mr. Armstrong filed the ‘525 application in 1996, he submitted a Declaration for Patent Application representing to the PTO that he was the “first and sole” inventor of the subject matter claimed in the ‘525 application. (PX 4, Declaration for Patent Application Dated and Filed July 5, 1996). In this declaration, Mr. Armstrong also acknowledged his duty to disclose information material to patentability as set forth in 37 C.F.R. § 1.56. (*Id.*). Mr. Armstrong, though, was not the inventor of the flexible membrane sheet combination as he learned about that feature from the CyberMan product.

50. As originally filed in 1996, the ‘525 application included claims 1-18, of which only claims 1, 13 and 16 were independent claims. (PX 4, ‘525 Application).

51. None of the independent claims 1, 13 and 16 were directed to a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (PX 4, ‘525 Application). However, certain dependent claims did recite a flexible membrane sheet (*e.g.*, claims 10 and 14). (*Id.*). Mr. Armstrong included claims 10 and 14 to cover the flexible membrane sheet used in the CyberMan product.

52. When he filed the '525 application with the PTO, Mr. Armstrong included an Information Disclosure Statement (IDS) in the form of a PTO-1449 Form disclosing three U.S. patents as prior art, in accordance with his duty of disclosure under 37 C.F.R. § 1.56. (PX 4, July 5, 1996 PTO-1449 Form). The CyberMan controller was not included in this disclosure. (Id.). Mr. Armstrong was well aware of the flexible membrane sheet in CyberMan and its materiality to at least claims 10 and 14 when he filed this IDS, yet he failed to disclose it to the PTO. (Armstrong Deposition of March 18, 2008 at 708:12 to 709:7; 709:23 to 710:4).

53. In a Preliminary Amendment filed September 23, 1996, Mr. Armstrong cancelled claims 16, 17 and 18, and added new independent claims 19-22 (PX 4, September 23, 1996 Preliminary Amendment).

54. None of the new independent claims 19-22 were directed to a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (PX 4, September 23, 1996 Preliminary Amendment). However, certain dependent claims still pending in the '525 application included the membrane sheet feature (*e.g.*, claims 10 and 14). (PX 4, '525 Application).

55. Following the September 1996 Preliminary Amendment, claims 1-15 and 19-22 were pending in the '525 application.

56. Examination of the '525 application continued, with the PTO examiners in charge of the 1996 application (John Suraci, Steven Saras, and later, Jeffery Brier) rejecting claims and Mr. Armstrong seeking to overcome the rejections. From March 23, 1998 to January 28, 2000, claims 1-15 and 19-22 remained pending. (PX 4 - March 23, 1998 Office Action; April 3, 1998 Response; June 26, 1998 Office Action; July 7, 1998 Response; September 30, 1999 Office Action).

57. On January 28, 2000, in response to Examiner Brier's rejection of September 30, 1999, Mr. Armstrong cancelled claims 1-15 and added new claims 23-37, of which only claims 23, 26, and 32 were independent claims. (PX 4, January 28, 2000 Response).

58. None of the newly added independent claims 23, 26 and 32 were directed to a flexible membrane sheet. (PX 4, January 28, 2000 Response). However, certain dependent claims were added that recited a membrane sheet (*e.g.*, claims 24, 30 and 36). (*Id.*). Mr. Armstrong was aware that CyberMan was highly material prior art to these claims, but continued to conceal this information from the patent examiner.

59. On March 13, 2000, Examiner Brier issued a final rejection. (PX 4, March 13, 2000 Office Action).

60. On July 31, 2000, Mr. Armstrong had a telephone interview with Examiner Brier to discuss the rejections. (PX 4, Interview Summary Mailed August 2, 2000).

61. Mr. Armstrong and Examiner Brier discussed the Hoyt and Yoshida references that had been applied to reject pending claims. Examiner Brier, for illustrative purposes, also referred to U.S. Patent 4,949,080 "to better show [Mr. Armstrong] a computer keyboard with a joystick." (PX 4, Interview Summary Mailed August 2, 2000).

62. Mr. Armstrong stated his belief that there was no motivation to connect a 6 DOF joystick onto a computer keyboard. Examiner Brier stated that "Yoshida suggests attaching a known 6 DOF joystick onto a keyboard in view of joystick 17 on the game pad." (PX 4, Interview Summary Mailed August 2, 2000).

63. Mr. Armstrong then asked Examiner Brier what his options were. Examiner Brier advised Mr. Armstrong that he could amend the claims or appeal the case. (PX 4, Interview Summary Mailed August 2, 2000).

64. Mr. Armstrong told Examiner Brier that he did not want to appeal the case. Examiner Brier then stated that “Hoyt and Yoshida do not teach the integrated membrane shown in applicant’s figure 18 where the membrane for the alpha-numeric keys and the 6 DOF joystick are the same membrane.” (PX 4, Interview Summary Mailed August 2, 2000).

65. Examiner Brier also advised Mr. Armstrong that the claims would need to be narrowed – “such as with the integrated membrane shown in applicant’s figure 18” – and that if the narrowing was such that new searching was required, the amendment would not be considered after the final rejection. He then directed Mr. Armstrong to the PTO web site so that Mr. Armstrong could obtain information and forms for filing a continued prosecution application (CPA). (PX 4, Interview Summary Mailed August 2, 2000).

66. On August 4, 2000, Mr. Armstrong filed a request for a continued prosecution application (CPA) off of the original 1996 ‘525 application. (PX 4, August 4, 2000 CPA Request). As stated on the request form signed and filed by Mr. Armstrong, by filing the request for a CPA, Mr. Armstrong was instructing the PTO to expressly abandon the prior 1996 application, which would be effective as of the filing date of the CPA request, *i.e.*, August 4, 2000. (Id.). In accordance with PTO procedures for CPAs, Mr. Armstrong’s CPA was assigned the same application number of the 1996 application.

67. In the CPA filing, Mr. Armstrong summarized his understanding of the July 31, 2000 telephone interview he had with Examiner Brier, stating:

Agreement as to allowability of the claims as currently written was not reached, but the Examiner indicated that while a new search would be needed, **he though that a sheet connecting both buttons and multi-axes joystick would be allowable**, if claimed. The Examiner agreed that Yoshida having a joystick internally connected with individual electrical wires (see Yoshida Fig. 2 and column 7 lines 9-11) is expensive in high volume compared to Applicant’s sheet connected buttons and multi-axes input devices. **The Examiner further agreed**

that, pending a search, the sheet integration of multi-axes input devices and a plurality of buttons was likely allowable. The above is a summary of the telephone interview to Applicant's best recollection

Under amendments, claims 19-37 will be cancelled, and new claims inserted and submitted as allowable.

(PX 4, August 4, 2000 CPA at p. 2) (emphasis added).

68. At this time, Mr. Armstrong knew that this combination feature was not patentable because the prior art CyberMan controller included the exact feature, as well as other elements that Mr. Armstrong was also trying to claim (*e.g.*, vibration and 6 DOF). Mr. Armstrong, however, did not disclose this information to the patent examiner.

69. Mr. Armstrong then cancelled claims 19-37 and added new claims 38-60, of which only claims 38, 48 and 60 were independent claims. (PX 4, August 4, 2000 CPA at pp. 2-7).

70. Mr. Armstrong also amended the title of the '525 CPA to read: Image Controllers With Sheet Connected Sensors. (PX 4, August 4, 2000 CPA at p. 3). Mr. Armstrong stated that this amendment was made so that the title would "closely reflect the current claimed invention." (Id.).

71. Mr. Armstrong stated that "new claims 38-60 are believed novel and inventive over the prior art, and thus allowable...." (PX 4, August 4, 2000 CPA at p. 7).

72. None of the independent claims 38, 48 and 60 were directed to a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (PX 4, August 4, 2000 CPA). However, dependent claims 44 and 53 recited the flexible membrane sheet feature. (Id. at pp. 4 and 5).

73. On August 31, 2000, Examiner Brier (the examiner in charge of the '525 CPA)

issued an Office Action rejecting all of the new claims except for dependent claims 44 and 53. (PX 4, August 31, 2000, Office Action).

74. Under the heading “Allowable Subject Matter,” Examiner Brier objected to claims 44 and 53 as being “dependent upon a rejected base claim,” but stated that claims 44 and 53 “would be allowable if rewritten in independent form including all of the limitations of the base claim and any intervening claims.” (PX 4, August 31, 2000 Office Action at p. 6).

75. Examiner Brier then stated that “the prior art of record does not teach or suggest placing an input member movable in at least two axes and finger depressible buttons of claim 43/41/40/39/38 or claim 51/50/49/48 onto a flexible sheet.” (PX 4, August 31, 2000 Office Action at p. 6).

76. Again, Mr. Armstrong knew that this combination was not patentable because the prior art CyberMan controller included this exact combination, yet he continued to intentionally and deceptively withhold this information from the patent examiner.

77. On September 7, 2000, Mr. Armstrong responded to the August Office Action. (PX 4, September 7, 2000 Response).

78. Referring to Examiner Brier’s Notice of Allowable Subject Matter, Mr. Armstrong stated:

Point 14 noting the “Allowable Subject Matter” has been read and understood.

The Examiner stated: “The prior art of record does not teach or suggest placing an input member movable in at least two axes and finger depressible buttons of claim 43/41/40/39/38 or claim 51/50/49/48 onto a flexible sheet.”

Accordingly, in the Amendments below, the independent claim 38 ... now includes the elements of claims 44/43/41/40/39/38, and also the independent claim 48 ... now includes the elements of claims 53/51/50/49/48.

(PX 4, September 7, 2000 Response at p. 3).

79. In this response, Mr. Armstrong formally amended independent claims 38 and 48 to include the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (PX 4, September 7, 2000 Response at pp. 4-6). Thus, Mr. Armstrong represented that the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed made all of his claims allowable over the prior art, even though he knew that this combination was anticipated by the CyberMan product and therefore NOT allowable over the prior art.

80. Mr. Armstrong also added new claims 61-72, of which only claim 61 was an independent claim. (PX 4, September 7, 2000 Response at pp. 7-8).

81. In the Remarks accompanying the September 7 submission, Mr. Armstrong stated:

Claims 61-72 are allowable over the prior art of record for the same reasoning once amended claims 38 and 48 are allowable.

Independent claims 38 and 48 have been amended by inclusion of the elements of their respective dependent claims, as suggested by the Examiner, (see above response to point 14, "Allowable Subject Matter"), thus bringing amended claims 38 and 48 into proper form for allowance.

Allowance of all pending claims is respectfully requested.

(PX 4, September 7, 2000, Response at p. 9).

82. Through these Remarks, Mr. Armstrong argued that all pending independent claims were allowable because they include the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed, even though Mr. Armstrong knew that the prior art CyberMan controller included this exact

combination.

83. Mr. Armstrong failed to advise the examiner that this combination was already in the prior art and precluded patentability of his claims.

84. On October 10, 2000, the examiner issued a Notice of Allowability, allowing pending claims 38, 45-48, 54-59 and 61-72, renumbered as claims 1-23 respectively. (PX 4, October 10, 2000 Notice of Allowability. The examiner was never aware that the allowed claims covered a flexible membrane sheet combination that had been in the prior art since 1993 as a result of the CyberMan product.

85. The '525 patent issued on April 21, 2001. (DX 18, '525 Patent). Issued independent claims 1, 5, and 12 (corresponding to allowed independent claims 38, 48, and 61) claim a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (Id.). At least claim 12 of the '525 patent is clearly anticipated by the prior art CyberMan product.

86. From the day he filed the '525 application in 1996 to the day the '525 patent issued in 2001, Mr. Armstrong never told the PTO that the CyberMan controller had an input member movable in at least two axes and finger depressible buttons placed on the flexible membrane sheet as claimed, even though he was well aware of this fact.

87. Mr. Armstrong obtained the '525 patent by intentionally and deceptively failing to disclose the flexible membrane sheet feature of the CyberMan controller and thus intentionally misled the patent examiner to believe that the claimed combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed was patentable over the prior art.

F. The CyberMan Controller was Highly Material to the '525 Patent

88. The CyberMan controller is prior art to all the '525 patent claims and Mr.

Armstrong was aware of this fact during the entire 5-year prosecution of the '525 patent.

89. The CyberMan controller not only disclosed a flexible membrane sheet but particularly disclosed the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed, the exact combination that Mr. Armstrong relied on for patentability of the '525 patent claims.

90. The withheld information about the CyberMan controller would have been extremely important to a reasonable examiner for purposes of examining all claims of the '525 patent because it establishes that these claims are unpatentable under 35 U.S.C. §§ 102 and/or 103. For example, claim 12 is clearly anticipated by CyberMan.

91. None of the prior art of record in the '525 application disclosed the use of flexible membrane sheet. Thus, the CyberMan controller was not cumulative of any prior art of record.

92. The CyberMan controller was highly material to the patentability of the '525 patent because had Mr. Armstrong disclosed what he knew about the CyberMan controller (*i.e.*, that it disclosed the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed), the claims of the '525 patent directed to that combination would never have been allowed.

93. The examiner of the 525 application mistakenly believed that the prior art did not teach or suggest the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (*See e.g.*, PX 4, August 31, 2000 Office Action). Because of his intimate familiarity with CyberMan, Mr. Armstrong knew that this was not true, yet concealed this information from the examiner.

94. The '525 patent would not have issued if Mr. Armstrong had been truthful and advised the examiner that the only combination that the examiner thought patentable was in fact

provided in the prior art CyberMan product.

95. That CyberMan would have been highly material to the ‘525 application claims has been confirmed by the PTO in an order granting a request for reexamination of the ‘525 patent based, in part, on CyberMan – either alone or in combination with other references. (DX 10, Decision Granting Reexam Control No. 90/008,767).

96. From the reexamination order (DX 10) and papers filed with the PTO requesting reexamination of the ‘525 patent (DX 11), it is clear that one basis for granting the reexamination was the 1993 brochure advertising the CyberMan controller, together with admissions about CyberMan that Mr. Armstrong made to the PTO in applications claiming priority to the ‘525 patent, as well as admissions about CyberMan that Mr. Armstrong has made in court proceedings.

97. On the materiality of CyberMan (and Mr. Armstrong’s admissions about CyberMan) to the ‘525 patent, the PTO examiner in the reexamination proceeding stated:

There is a substantial likelihood that a reasonable examiner would consider these teachings important in deciding whether or not claims [of the ‘525 patent] are patentable. The prosecution history of the base application does not indicate that CyberMan was included for consideration by the examiner in charge of the base application. Accordingly, such teachings are not cumulative to any written discussion on the record of the teachings of the prior art, [and] were not previously considered nor addressed during a prior examination....

(DX 10 at p. 25).

98. The Order granting reexamination of the ‘525 patent further indicates that the CyberMan controller would not have been considered cumulative to the prior art that was of record in the ‘525 patent prosecution history. (DX 10 at p. 25).

99. The CyberMan controller would thus have been highly material to the patentability of one or more claims at issue in the ‘525 application. CyberMan clearly included

the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed - the exact feature that Mr. Armstrong was trying to (and did) obtain patent protection on. CyberMan was not of record in the '525 patent prosecution history as Mr. Armstrong never told the examiners what he knew about CyberMan – that it had a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. Had Mr. Armstrong disclosed this highly material information to the examiners when the '525 application was being examined, the '525 patent would not have issued.

G. Mr. Armstrong Knew that CyberMan was Highly Material to the '525 Application

100. Mr. Armstrong admitted that in 1993, more than one year prior to the filing date of the '525 application, the CyberMan controller was being sold in the United States. (DX 2 at NAA00016134). CyberMan was thus on sale and in public use in the United States more than a year before the '525 application was originally filed in 1996. CyberMan is therefore prior art.

101. Mr. Armstrong admitted in the '700 patent prosecution that the statutory one year bar rule “applies to the membrane connection of sensors as disclosed in CyberMan.” (DX 2 at NAA00016134).

102. Mr. Armstrong was intimately familiar with the CyberMan controller as early as 1993/1994 and knew that CyberMan included the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. (DX 57; DX 2 at NAA00016134-36; DX 293 at ANS0017591; Armstrong Deposition of March 18, 2008, at 705:8-22; 706:5-14; 708:12 to 709:7 and 709:23 to 710:4).

103. Mr. Armstrong knew that CyberMan was material prior art to the '525 application claims when he filed that application in 1996 since some of his original claims specifically

included a membrane sheet feature feature that was identical to the membrane sheet in CyberMan. (PX 4, '525 Application, Claims 10 and 14).

104. Mr. Armstrong knew that integrating an input member movable in at least two axes and finger depressible buttons onto a flexible membrane sheet was critical to the allowance of his claims and issuance of the '525 patent because the examiner mistakenly believed that such combination was not disclosed in the prior art. (PX 4, Interview Summary Mailed August 2, 2000 and August 31, 2000 Office Action).

105. Because of his intimate familiarity with CyberMan, Mr. Armstrong knew that the examiner was mistaken about the novelty of integrating an input member movable in at least two axes and finger depressible buttons onto a flexible membrane sheet.

106. Mr. Armstrong knew that even if the examiner found and reviewed the 1993 CyberMan brochure placed and/or referred to in the prosecution files for his earlier '828 and '891 applications, the examiner would not have learned that CyberMan had the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed because the brochure does not disclose that feature. (*See*, DX 56).

107. Mr. Armstrong knew that if he told the examiner what he knew about CyberMan and its flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed, he would not get a patent on that very same combination.

108. Mr. Armstrong intentionally and deceptively concealed this highly material information about CyberMan, and was issued the '525 patent as a result of this deception.

109. Mr. Armstrong clearly knew that CyberMan was highly material to the '525 application and that he would not be able to get claims on the flexible membrane sheet combination if he disclosed what he knew about CyberMan. As a result, Mr. Armstrong

intentionally and deceptively withheld this highly material information in order to get a patent.

H. Mr. Armstrong Knew He Had A Duty to Disclose CyberMan to the PTO

110. Patent applicants have a duty to prosecute patent applications with candor, good faith, and honesty. *Bristol-Myers Squibb Co. v. Rhone-Poulence Rorer, Inc.*, 326 F.3d 1226, 1233 (Fed. Cir. 2003).

111. Included with this obligation is the duty codified in 37 C.F.R. § 1.56 (Rule 1.56) to disclose to the PTO information that may be material to patentability of an inventor's patent application. Rule 37 C.F.R. § 1.56 instructs that:

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

- (i) Opposing an argument of unpatentability relied on by the Office, or
- (ii) Asserting an argument of patentability.

A *prima facie* case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

37 C.F.R. §1.56(b)

112. The manner by which a patent applicant complies with the duty to disclose information that may be material to patentability under 37 C.F.R. § 1.56 is set forth in patent rules 37 C.F.R. §§ 1.97(a) – (d) and 1.98.

113. Before the '525 patent issued in 2001, Mr. Armstrong had been writing, filing and prosecuting patent applications since the early 1990's. (Deposition of Brad A. Armstrong, March 19, 2008, 747:24 to 749:11). To date, he has been granted over 31 patents. (Id. at 747:2

to 747:7).

114. Mr. Armstrong personally filed and appeared before the PTO to prosecute each of the applications that issued as the '828, '891, '525 and '700 patents. (Deposition of Brad A. Armstrong, April 19, 2007, 40:20-23 and 176:19-23).

115. Mr. Armstrong consulted with and received advice from attorneys and non-attorneys with respect to the drafting and/or prosecution of at least the '525 and '700 patent applications, including the disclosure of prior art. (Deposition of Brad A. Armstrong, April 19, 2007, 40:20 to 41:5 and 45:4 to 47:5; Deposition of Brian Carlson, October 4, 2007, 130:1 to 133:7).

116. Mr. Armstrong testified that Edward Sikorski and David Woycechowsky, two of the individuals that provided assistance and advice to Mr. Armstrong with respect to the prosecution of the '525 and '700 patent applications, were patent attorneys. (Deposition of Brad A. Armstrong, April 19, 2007, 45:4-25, 46:20-25 and 47:2-5).

117. When Mr. Armstrong filed the '525 application in 1996, he was familiar with the patent laws and PTO rules regarding the duty of disclosure, candor and good faith embodied in Rule 1.56. Mr. Armstrong signed declarations in each of his many applications, including the '525 application, acknowledging his duty of disclosure and that he understood that duty. (DX 22, Declaration for Patent Application Signed June 3, 1994; DX 20, Declaration for Patent Application Signed February 22, 1995; PX 4, July 5, 1996 Declaration for Patent Application).

118. Beginning with the filing of the '828 application in 1992, Mr. Armstrong has been aware of the proper procedure by which information that may be material to patentability must be submitted to the PTO. (DX 22, Information Disclosure Statements Dated March 5, 1992 and August 2, 1993).

119. The proper way to disclose information that may be material to patentability was also brought to Mr. Armstrong's attention by the PTO during prosecution of the '828 application, in connection with the brochure for the CyberMan controller. The PTO expressly put Mr. Armstrong on notice that if he wanted information that may be material to patentability to be considered, he had to submit it in accordance with 37 C.F.R. §§ 1.97(a)-(d) and 1.98. (DX 22, September 28, 1994 Office Action at p. 2 and May 11, 1995 Office Action at p. 2).

120. Mr. Armstrong violated his duty of disclosure, candor and good faith required by Rule 1.56 by failing to disclose to the PTO during prosecution of the '525 application that the specific combination that he was seeking patent protection on already existed in the prior art CyberMan product of which he was well aware.

I. Mr. Armstrong Intended to Deceive the PTO by Withholding the CyberMan Controller

121. Mr. Armstrong was intimately familiar with the CyberMan controller and its flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed more than a year before he filed the '525 application in 1996. (See e.g., DX 22, CyberMan Brochure Attached to June 3, 1994 Response; DX 2 at NAA00016134-36; DX 293 at ANS0017591; Armstrong Deposition of March 18, 2008, at 705:8-22; 706:5-14; 708:12 to 709:7 and 709:23 to 710:4).

122. Mr. Armstrong deliberately included claims in the original '525 application directed to a membrane sheet feature, knowing that CyberMan also included a membrane sheet feature and thus would have been material prior art to those claims.

123. Mr. Armstrong deliberately allowed the examiner of the '525 application to mistakenly believe that the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed was not in the prior art

when he knew that this was not true. (*See e.g.*, PX 4, August 31, 2000 Office Action at p. 6 and Interview Summary Mailed August 2, 2000).

124. Mr. Armstrong knew that the prior art CyberMan controller would be highly material to any claims reciting the combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed because CyberMan contained that exact feature.

125. Mr. Armstrong deliberately amended the '525 application claims to include a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed, knowing that the examiner believed this combination to be novel and patentable when in fact it was disclosed in the prior art CyberMan controller. (PX 4, September 7, 2000 Response).

126. Mr. Armstrong knew that his knowledge about CyberMan and its flexible membrane sheet feature would be fatal to getting the '525 patent if he disclosed this information to the examiner.

127. There is no credible reason why Mr. Armstrong did not honor his duty under Rule 1.56 and make full disclosure of the CyberMan controller during prosecution of the application that issued as the '525 patent.

128. Mr. Armstrong's failure to disclose CyberMan and particularly that CyberMan had a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed was intentional and deceptive. Mr. Armstrong knew that he never would have received the '525 patent had he disclosed his knowledge of CyberMan to the PTO. Thus, Mr. Armstrong acted with specific intent to deceive the PTO.

J. The '525 and '700 Patents are Unenforceable

129. In view of the high materiality of the CyberMan controller and Mr. Armstrong's specific intent to withhold critical information about the CyberMan controller from the PTO and thereby deceive the PTO, the '525 patent is unenforceable due to the inequitable conduct committed by Mr. Armstrong vis-à-vis CyberMan.

130. Under the doctrine of infectious unenforceability, the '700 patent also unenforceable due to Mr. Armstrong's inequitable conduct committed in the '525 application.

131. The '700 application was not a divisional of the '525 application.

132. The subject matter of the claims of the '700 patent is closely related to that of the '525 patent – each contains claims directed to a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed.

133. The issued claims of the '700 patent have a strong relation to the withheld CyberMan controller, as CyberMan has the claimed combination of a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed. The '700 patent includes claims that are similar to the '525 patent claims, including claims directed to a flexible membrane sheet.

134. The *Baxter* test for immunization from the taint of inequitable conduct committed in the '525 application is not satisfied as to the '700 patent.

135. That Mr. Armstrong belatedly disclosed some details about the CyberMan controller to the PTO in the '700 application does not cure the inequitable conduct committed in the '525 application because the '525 patent had already issued when he made the disclosure.

136. Accordingly, the '525 and '700 patents are both rendered unenforceable.

III. CONCLUSIONS OF LAW

137. Patent applicants have a duty to prosecute patent applications with candor, good faith, and honesty. *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226,

1233 (Fed. Cir. 2003). “A breach of this duty can take several forms: ‘affirmative misrepresentations of a material fact, failure to disclose material information, or submission of false material information.’” *Id.* When coupled with an intent to deceive or mislead the Patent and Trademark Office (“PTO”), a breach of the duty of candor constitutes inequitable conduct, which renders the patent unenforceable. *Purdue Pharma L.P. v Endo Pharmaceuticals Inc.*, 438 F.3d 1123, 1128 (Fed. Cir. 2006).

138. Inequitable conduct determined to have been committed with respect to just one claim of a patent renders the entire patent unenforceable. *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1332 (Fed. Cir. 1998).

139. A party asserting that a patent is unenforceable due to inequitable conduct must prove the underlying facts of materiality and intent by clear and convincing evidence. *Agfa Corp. v. Creo Prods. Inc.*, 451 F.3d 1366, 1377 (Fed. Cir. 2006).

140. Once threshold findings of materiality and intent are established, the Court must weigh them to determine whether the equities warrant a conclusion that inequitable conduct occurred. *Purdue Pharma*, 438 F.3d at 1128-29. This prong of the inequitable conduct analysis focuses on whether the patent applicant’s conduct was so culpable that holding the applicant’s patent(s) unenforceable is justified. *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 546 (Fed. Cir. 1998) (citing *Kingsdown*, 863 F.2d at 872). A high level of materiality will balance a lower level of intent and vice versa. *Id.* at 1129. *Purdue Pharma*, 438 F.3d at 1129; *Baxter*, 149 F.3d at 1327.

141. The Federal Circuit has referred to the standard set forth in PTO Rule 1.56 in evaluating materiality. *Id.* Prior to 1992, Rule 1.56 instructed that “information is material where there is a substantial likelihood that a reasonable examiner would consider it important in

deciding whether to allow the application to issue as a patent.” 37 C.F.R. § 1.56(a) (1988). The current version of that rule, in effect since March 16, 1992, defines materiality as follows:

1.56 Duty to disclose information material to patentability.

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

- (1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or
- (2) It refutes, or is inconsistent with, a position the applicant takes in:
 - (i) Opposing an argument of unpatentability relied on by the Office, or
 - (ii) Asserting an argument of patentability.

A *prima facie* case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

37 C.F.R. §1.56(b).

142. The 1992 rule “was not intended to constitute a significant break with the pre-1992 standard.” *Purdue Pharma*, 438 F.3d at 1129, n.6. Under this rule, information is material if: 1) it is inconsistent with a position the applicant takes in the PTO; or 2) it would be important to an examiner in determining patentability. 37 C.F.R. §1.56(b); *Bruno Independent Living Aids Inc. v. Acorn Mobility Services Ltd.*, 394 F.3d 1348, 1352-53 (Fed. Cir. 2005).

143. Intent to deceive or mislead the PTO “need not be proven by direct evidence. Indeed, ‘direct proof of wrongful intent is rarely available but may be inferred from clear and convincing evidence of the surrounding circumstances.’” *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1329 (Fed. Cir. 1998) (citation omitted). “Rather, in the absence of a credible explanation, intent to deceive is generally inferred from the facts and circumstances surrounding

a knowing failure to disclose material information.” *Frazier v. Roessel Cine Photo Tech, Inc.*, 417 F.3d 1230, 1235-36 (Fed. Cir. August 2, 2005). When determining whether intent has been shown, a court must weigh all evidence, including evidence of good faith. *Baxter*, 149 F.3d at 1330. However, “a patentee facing a high level of materiality and clear proof that it knew or should have known of that materiality, can expect to find it difficult to establish ‘subjective good faith’ sufficient to prevent the drawing of an inference of intent to mislead.” *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed. Cir. 1997); *Bristol-Myers Squibb Co.*, 326 F.3d at 1239 (“where 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”).

144. Inequitable conduct committed in an earlier application will “infect” related applications unless the limited exception established by the Federal Circuit in *Baxter* applies. *Baxter*, 149 F.3d at 1331-32.

145. Under *Baxter*, for a later patent to be immunized from being rendered unenforceable due to inequitable conduct occurring in an earlier, related patent, the following test must be satisfied:

(1) The PTO must have issued a restriction requirement in the application for the earlier patent identifying claims directed to a separate and patentably distinct invention, and the applicant must have subsequently separated those claims from the earlier application by filing a divisional application on those claims; and,

(2) The subject matter of the issued claims of the later divisional application must have no relation to the withheld or omitted prior art.

Baxter, 149 F.3d at 1331-32; *Agfa Corp. v. Creo Prods. Inc.*, 451 F.3d 1366, 1379 (Fed. Cir.

2006).

146. Having heard testimony and received evidence and argument regarding the CyberMan controller and Mr. Armstrong's failure to disclose the details of the CyberMan controller to the PTO during prosecution of the '525 application – particularly that CyberMan had a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed – and based on the applicable law, I make the following conclusions.

147. The CyberMan controller was prior art to the '525 application.

148. The CyberMan controller includes a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed.

149. This feature of the prior art CyberMan controller establishes the unpatentability of one or more claims of the '525 patent.

150. The CyberMan controller was thus highly material to the '525 application.

151. Having observed and listened to Mr. Fiorito's opinion on the materiality of the CyberMan reference, I find that his opinion is consistent with the facts surrounding the CyberMan reference as evidenced from the contents of the prosecution histories for the '525 and '700 applications, and the testimony and admissions by Mr. Armstrong. Mr. Fiorito's opinion on materiality is therefore credible and entitled to significant weight.

152. Moreover, the PTO has now confirmed the materiality of the CyberMan controller to the claims of the '525 patent. In an order granting reexamination of the '525 patent, the PTO stated:

There is a substantial likelihood that a reasonable examiner would consider these teachings important in deciding whether or not claims [of the '525 patent] are patentable. The prosecution history of the base application does not indicate that CyberMan was included for

consideration by the examiner in charge of the base application. Accordingly, such teachings are not cumulative to any written discussion on the record of the teachings of the prior art, [and] were not previously considered nor addressed during a prior examination....

(DX 10, Order Granting Reexamination Control No. 90/008,767, p. 25)

153. The order granting reexamination of the '525 patent indicates that a reasonable patent examiner would have found the CyberMan controller and its teachings to be material to patentability of the '525 patent. (DX 10 at p. 25).

154. This order together with the other evidence and testimony submitted and received about the CyberMan controller and its flexible membrane sheet feature further supports a finding that the CyberMan controller is highly material to the '525 patent.

155. The CyberMan controller is not cumulative of other prior art considered by the examiner during examination of the '525 patent.

156. Mr. Armstrong admitted that by early 1994 (more than a year prior to the filing of the application that issued as the '525 patent), he had actual and intimate knowledge of the CyberMan controller and that the CyberMan controller had a flexible membrane sheet on which an input member movable in at least two axes and finger depressible buttons are placed, the exact feature that he sought to obtain a patent on.

157. Mr. Armstrong intentionally withheld this highly material information from the PTO.

158. By intentionally withholding the highly material CyberMan information, Mr. Armstrong intended to (and did) deceive the PTO.

159. Mr. Armstrong's actions justify a conclusion that he committed inequitable conduct in prosecuting the application that issued as the '525 patent.

160. I further find that the limited exception to the doctrine of infectious

unenforceability recited in *Baxter* does not apply to immunize the '700 patent from being held unenforceable due to Mr. Armstrong's inequitable conduct in the '525 application.

161. The claims of the '700 patent were not subject to a restriction requirement in the '525 application and the '700 patent is not a divisional of the '525 patent.

162. Moreover, the subject matter of the CyberMan controller is substantially related to the subject matter of the claims of the '700 patent.

163. The *Baxter* test is thus not met.

164. Mr. Armstrong's submission of the CyberMan product details to the PTO in the '700 application does not cure the intentional and deceptive acts committed by Mr. Armstrong in the '525 application.

165. Weighing the high materiality of the CyberMan controller and the evidence of Mr. Armstrong's intent to withhold critical information that he had about the CyberMan controller for the purpose of deceiving the PTO into issuing him the '525 and '700 patents, I conclude that Mr. Armstrong's committed inequitable conduct and that this conduct justifies rendering the '525 and '700 patents unenforceable.

166. In view of the foregoing, I find that the '525 and '700 patents are unenforceable.

Dated: April 18, 2008

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of April, 2008, a true and correct copy of the above document was filed with the Eastern District's CM/ECF system, and a copy was forwarded this date to all known attorneys of record.

By: /s/ James S. Blank
James S. Blank