

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

Anascape, Ltd.,

Plaintiff,

v.

Microsoft Corp., and
Nintendo of America, Inc.,

Defendants.

Civil Action No. 9:06-cv-158-RC

JURY TRIAL REQUESTED

**ANASCAPE LTD.'S PROPOSED STATEMENTS OF FACT AND CONCLUSIONS
OF LAW REGARDING INEQUITABLE CONDUCT**

The jury did not decide the issue of alleged inequitable conduct during prosecution of the '700 Patent-in-suit.¹ Instead, the Court reserved the issue of inequitable conduct for itself.

Pursuant to Federal Rule of Civil Procedure 52, Plaintiff Anascape, Ltd. ("Anascape") proposes

¹ Anascape interpreted this Court's Scheduling Order, which referenced submitting proposed jury instructions and verdict form *or* proposed findings of fact and conclusions of law, as only requiring jury instructions in this case. In light of this, Anascape worked with Defendants to submit proposed jury instructions and a verdict form earlier today. However, this afternoon, Defendants filed their Proposed Findings of Fact and Conclusions of Law, which suggests that Defendants interpreted the Court's order differently. In the interest of full disclosure, Defendants and Anascape have *not* met and conferred as required by the Scheduling Order (if the Scheduling Order calls for submission of proposed finding of fact and conclusion of law), Defendants had never indicated to Anascape that they would be filing proposed findings of fact and conclusions of law, and Defendants never sought to meet and confer with Anascape on the issue.

To respond to Defendants' filing, Anascape has drafted the instant findings of facts an conclusions of law, and now submits those to the Court, albeit well past the four p.m. deadline. Anascape believes that a meet and confer on the parties' respective proposed findings of fact and conclusions of law would be fruitful, given that the parties could likely agree, at least, on the content of the prosecution histories. At the Court's request, Anascape will engage Defendants in such discussion, and the parties will jointly submit Proposed Statements of Fact and Conclusions of Law.

the following Statements Of Fact And Conclusions Of Law Regarding Inequitable Conduct in support of the Court's ruling that the '700 Patent is enforceable.

I. FINDINGS OF FACT

A. Background Of The Parties And The '700 Patent-In-Suit

1. Plaintiff Anascape is a limited partnership organized and existing under the laws of the State of Texas, and has its principal place of business at Tyler, Texas.

2. Defendant Microsoft Corp. ("Microsoft") is a Delaware corporation, with its principal place of business in Redmond, Washington.

3. Defendant Nintendo of America, Inc. ("Nintendo") is a Washington corporation, with its principal place of business in Redmond, Washington. Nintendo is a wholly owned subsidiary of Nintendo Co., Ltd., a Japanese Corporation with its principal place of business in Kyoto, Japan.

4. Anascape is the assignee of U.S. Patent No. 6,906,700 ("the '700 Patent"), which is the patent-in-suit. The '700 Patent claims various graphics controller apparatuses.

5. This is a patent infringement suit in which Anascape charges Microsoft and Nintendo with infringement of the '700 Patent. The Court has jurisdiction in this case pursuant to 28 U.S.C. § 1331 and 28 U.S.C. § 1338(a).

6. The '700 Patent is fourth in a series of continuations and continuations-in-part. The '700 patent, filed on Nov. 16, 2000, is a continuation of U.S. Patent No. 6,222,525 ("the '525 Patent"), which was filed on July 5, 1995. The '525 Patent is a continuation-in-part of U.S. Patent No. 5,565,891, ("the '891 Patent") filed on February 23, 1995. The '891 Patent is a continuation-in-part of U.S. Patent No. 5,589,828 ("the '828 Patent"), which was filed on Mar. 5, 1992. The '700 Patent issued on June 14, 2005.

7. Mr. Brad A. Armstrong is the only inventor of the '700, '525, '891, and '828 Patents, and he prosecuted those patents without assistance of counsel.

8. Trial in this case is scheduled to commence on May 5, 2008.

B. Summary Of The Inequitable Conduct Issue

9. Defendants contend that Armstrong's failure to disclose the CyberMan reference during the prosecution of the '525 Patent renders that patent unenforceable. Defendants contend that, notwithstanding the fact that that same reference was presented to the Patent Office during the prosecution of the '700 Patent, that the same inequitable conduct renders the '700 Patent unenforceable.

C. Supporting Facts

10. Armstrong prosecuted each of the above-listed patents *pro se*, and did not retain counsel to prosecute any of the above-listed patents.

11. During the prosecution of the '828 Patent, Mr. Armstrong submitted information related to the CyberMan controller. Mr. Armstrong submitted a flyer which detailed certain features of the controller, including its ability to move on certain listed axes.

12. Armstrong did not re-submit the CyberMan flyer during the prosecution of the '891 Patent. However, the examiner, as required by patent office procedure, reviewed the prior art from the prosecution of the '828 Patent, and found the CyberMan flyer. During the prosecution of the '891 Patent, the patent examiner relied on the information in the flyer -- which he pulled from the '828 prosecution history -- to determine that the claims of the '891 were invalid in light of the CyberMan. Armstrong traversed the rejection, and the '891 patent issued, despite the disclosure in the CyberMan flyer.

13. Section 609 of the MPEP provides that patent examiners must, when there is a chain of applications, review the parent application(s) for a review of the prior art contained therein: “The examiner will consider information . . . in the parent application when examining a continuation or continuation-in-part application . . . and a list of the information need not be submitted[.]” An applicant, such as Mr. Armstrong, therefore need not repeatedly recite such prior art to the PTO during the prosecution of continuing applications. *See also* MPEP, Section 707.05.

14. Armstrong did not re-submit the CyberMan flyer during the prosecution of the '525 Patent. The '525 Patent claims included, among other claimed components, flexible membrane sheets and flexible sheets. As shown in figure 29 of the '525 Patent, flexible membrane sheet were already known in the art as used in computer keyboards. Additionally, the prosecution history of the '525 Patent references U.S. Patent No. 5,889,807 to Engle, which disclosed the use of a flexible sheet with a joystick.

15. Initially, Armstrong did not re-submit any information related to the CyberMan during the prosecution of the '700 Patent. However, as is evident from the “References Cited” section of the '700 Patent, in comparison with the '525 Patent, Armstrong had received some friendly advice between the prosecutions of the two patents -- particularly, that he should provide any and all prior art that he knew of to the patent office, including exemplars, pictures and/or descriptions of any prior art controllers. Before receiving that advice, Armstrong did not believe that you could send exemplars into the patent office, or that you could send pictures and descriptions of prior art devices, outside of patents and printed publications.

16. Armstrong took that advice, and submitted any reference he saw as material to the Patent Office during the prosecution of the '700 Patent. In this vein, Armstrong wrote the following to the Patent Office on December 4, 2003, during the pendency of the prosecution of the '700 Patent:

2. Applicant has also provided the below comments and included photographs regarding products once on the market. One such product is the CyberMan™ controller first sold in 1993 in the USA by Logitech Inc. 6505 Kaiser Dr., Fremont CA USA. Applicant believes he is the inventor of the CyberMan controller which was made without his permission after failed licensing negotiations regarding Applicant's US Patent Application No. 07/847,619 now Patent 5,589,828. Applicant believes an element disclosed in the CyberMan that was not taught in the '828 patent is the membrane element. Membrane elements are taught in Applicant's US Patent Application No. 08/677,378 filed July 5, 1996. It appears to Applicant that the "one year bar" rule applies to the membrane connection of sensors as disclosed in CyberMan. Nevertheless the '378 Patent Application teaches a great variety of novel and unobvious utilizations of a membrane in unique combination with many important elements. Additionally the '378 application teaches many elements in inventive combination, numerous structural variations and inventive leaps; both with and without the cost saving advantages taught in the '378 application of the membrane connecting to the circuit board without the expensive wiring harness of CyberMan. Many embodiments of the '378 application do not require use of a membrane to be novel and inventive. And many embodiments of the '378 application having a membrane are novel and inventive over the CyberMan disclosure.

Located at the top of the stack of Reference Art copies is a CyberMan disclosure containing 1) an advertisement flyer with the heading CyberMan 3D Controller and 2) photographs 1, 2 and 3 of the CyberMan Controller assembled and also disassembled. Photograph 1 shows the CyberMan in a top perspective view and showing a base, a handle and three buttons. Photograph 2 shows a portion of the CyberMan in a disassembled state and showing the 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. The three buttons each use normally-open momentary-On switches. No proportional pressure sensors are used. Movement of the major plate is tracked by two bi-directional slide potentiometers (variable resistors), all other sensors are uni-directional sensors of a momentary-On On/Off only type. The major plate is movable in two-axes. Photograph 3 shows a portion of the CyberMan in a disassembled state. Shown in photograph 3 is the handle in an upside-down position and having a motor with offset weight for providing active tactile feedback. Four metal dome On/Off switches on a 1st plane (two axes input), and two more On/Off switches located on a third and fourth planes (third axis) are all

integrated with the flexible membrane. The membrane further has solder connections to two metal dome On/Off switches (fourth axis) and solder connections to the three On/Off microswitches associated with the finger depressible buttons.

The membrane is located in the handle and the circuit board is located in the base. The expensive conventional wiring harness spans between the membrane in the handle and the circuit board in the base. The membrane does not physically engage, contact or connect to the circuit board. The membrane does not touch the circuit board and does not lay adjacent to the circuit board. The membrane is not adhered to the circuit board, directly connected to the circuit board, or otherwise in close proximity to the circuit board. All metal domes and physical switch packages are located on only one side of the membrane.

Regarding the circuit board, two sensors are located on only one side of the circuit board (the two bi-directional sliding potentiometers or variable resistors) the second side of the circuit board has no sensors located on it.

The Examiner is respectfully requested to examine the claims in light of the CyberMan disclosure which the Applicant has described herein and included photographs for the Examiner's consideration. If the Examiner needs any additional information regarding CyberMan please contact Applicant or Logitech at the above listed address, or Applicant would be glad to supply a working example of CyberMan (with screwdriver included:-) for the Examiner.

17. The claims of the '700 Patent issued despite the disclosure of the CyberMan in the prosecution history.

18. During the prosecution of the '525 Application, Armstrong did not intend to deceive the Patent Office by failing to disclose the CyberMan. Although he was not licensed to practice in front of the PTO, he already understood that the examiner for the '525 Patent would consider the information he had submitted about the CyberMan that had been considered during the prosecution of the '891 Patent and the prosecution of the '828 Patent. During the prosecution of the '525 Patent, he did not think or know to submit any additional information, including detailed descriptions and drawings about the CyberMan, to the patent office.

19. Armstrong's lack of intent to deceive is confirmed by his actions during the prosecution of the '700 Patent. If Armstrong truly intended to hide the CyberMan controller from the Patent Office, why would he stop at the '525 Application? The fact that he went out of

his way to explain the material features of the CyberMan to the patent examiner in the '700 Patent is circumstantial evidence that he had no intent to deceive the Patent Office during the examination of the '525 Patent.

20. Furthermore, there was no “cue” that suggests any sort of nefarious intent behind this change in disclosure. For example, had a third party raised inequitable conduct allegations based on the CyberMan in pending litigation between the issuance of the '525 Patent, and the disclosure of the CyberMan during the prosecution of the '700 Patent, one could infer that the sudden change of heart was due to a fear of being caught. Here, however, there is no such triggering event -- Armstrong went to great lengths to disclose the CyberMan despite the lack of any change in motive during his prosecutions.

II. CONCLUSIONS OF LAW

A. Law On Inequitable Conduct

21. Nintendo and Microsoft have the burden of proving that Anascape committed inequitable conduct by clear and convincing evidence. *See LaBounty Mfg., Inc. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1070 (Fed. Cir. 1992).

22. “It is well settled that patent applicants are required 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).

23. Each inventor named in the application, each attorney or agent who prepares or prosecutes the application, and every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application, owes a duty of candor and good faith in dealing with the U.S. Patent Office when applying for a patent. *See*

35 C.F.R. § 1.56(c). This duty requires each person subject to the duty of candor to disclose all information known to that individual to be material to patentability. *Id.*

24. When a person breaches his or her duty of candor with the U.S. Patent Office, and does so with the specific purpose of affecting the allowance of the claims of the subject patent, it can result in inequitable conduct that renders the patent unenforceable. *See, e.g., J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1559-60 (Fed. Cir. 1984).

25. An allegation of inequitable conduct that stems from non-disclosure of purportedly material information, as is the situation here, requires that the defendant prove by clear and convincing evidence that: (1) the asserted prior art references are material; (2) persons substantively involved in the preparation or prosecution of the patent-in-suit were aware of those references; (3) those same individuals were aware of the purported materiality of the asserted prior art references; and (4) those individuals chose not to disclose the asserted prior art references with the intent to mislead the U.S. Patent Office. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995) (citing *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987)).

26. In *Molins*, the Federal Circuit cautioned that given the ease with which a relatively routine act of patent prosecution can be portrayed as intended to mislead or deceive, clear and convincing evidence of conduct sufficient to support an inference of culpable intent is required. Forfeiture [of enforceability] is not favored as a remedy for actions not shown to be culpable. While intent to deceive the Patent Office may be found as a matter of inference from circumstantial evidence, circumstantial evidence cannot indicate merely gross negligence. A finding that particular conduct amounts to “gross negligence” does not, of itself, justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.

Molins PLC v. Textron, Inc., 48 F.3d 1172, 1181 (Fed. Cir. 1995).

27. Establishing inequitable conduct entails a two-step analysis. First, the defendant must prove by clear and convincing evidence a *prima facie* case of inequitable conduct, establishing threshold levels of both materiality and intent. *Juicy Whip, Inc. v. Orange Bang, Inc.*, 292 F.3d 718, 745-46 (Fed. Cir. 2002). Second, if and only if threshold levels of materiality and intent are shown, the trial court must then balance the clear and convincing evidence of materiality with the clear and convincing evidence of intent to determine whether the equities warrant the conclusion that inequitable conduct occurred. *Monsanto Co. v. Bayer Bioscience N.V.*, 363 F.3d 1235, 1239 (Fed. Cir. 2004). “Inequitable conduct carries the consequence of permanent unenforceability of patent claims[;]” therefore, “forfeiture is not favored as a remedy for actions not shown to be culpable.” *Tol-o-matic, Inc. v. Proma Produkt-Und Marketing Gesellschaft*, 945 F.2d 1546, 1554 (Fed. Cir. 1991).

28. As a general principle, the balancing test allows for a greater showing of one factor when there is a lesser showing of the other, but it does not automatically tip the scales in favor of unenforceability. *Abbot Lab. v. Topfarm, Inc.*, 300 F.3d 1367, 1380 (Fed. Cir. 2002) (no inequitable conduct occurred because the evidence of materiality was low and there was little evidence of intent); *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1582 (Fed. Cir. 1997) (no inequitable conduct occurred because strong evidence of intent was needed to compensate for the low level of materiality); *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 992-93 (Fed. Cir. 1988) (no inequitable conduct occurred even assuming the level of intent rose above the threshold level because the level of materiality was otherwise low). There is no need to engage in a balancing test when threshold levels of materiality and/or intent are not shown. *Juicy Whip*, 292 F.3d at 745-46 (“Because neither of the two [bases for inequitable conduct]

meets the threshold level of materiality or intent to mislead . . . we need not weigh materiality and intent. . .”).

29. For patents filed after March 16, 1992, as in this case, the U.S. Patent Office applies the standard of materiality defined by 37 C.F.R. § 1.56. Under this rule, information is material to patentability when:

[I]t 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.

37 C.F.R. § 1.56(b) (1992) (emphasis added).

30. In construing Rule 1.56, the Federal Circuit has held that the test for materiality “is not whether there is anticipation or obviousness, but rather, what a ‘reasonable examiner would consider . . . important in deciding whether to allow the application to issue as a patent.’” *Li Second Family Ltd. P’ship v. Toshiba Corp.*, 231 F.3d 1373, 1380 (Fed. Cir. 2000) (noting that information concealed from the PTO may be material even though it would not invalidate the patent).

31. Materiality is not judged in a vacuum, but rather is based upon “the overall degree of similarity between the omitted reference and the claimed invention in light of the other prior art before the examiner.” *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1328 (Fed. Cir. 1998). The totality of the similarities and differences between purported prior art and the claims of the patent is what matters. *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435,

1441 (Fed. Cir. 1991) (holding that significant differences between the asserted prior art and the claimed invention make the non-disclosure immaterial); *Pac. Furniture Mfr. Co. v. Preview Furniture Corp.*, 800 F.2d 1111, 1114 (Fed. Cir. 1986) (affirming lack of materiality determination due to significant unobvious differences between the prior art and the subject patent).

32. To be relevant to patentability, asserted prior art references must also disclose enough information to put one of ordinary skill on notice of their materiality. *Frazier v. Roessel Cine Photo Tech., Inc.*, 417 F.3d 1230, 1236-39 (Fed. Cir. 2005) (concluding that article was not material because its materiality was not readily determinable); *Life Tech., Inc. v. Clontech Labs., Inc.*, 224 F.3d 1320, 1327 (Fed. Cir. 2000) (concluding that the “very little information” that could be offered about the asserted prior art references was immaterial).

33. “To satisfy the requirement of the intent to deceive element of inequitable conduct, ‘the involved conduct, viewed in light of all the evidence, including evidence of good faith, must indicate sufficient culpability to require a finding of intent to deceive.’” *M. Eagles Tool Warehouse, Inc. v. Fisher Tooling Co., Inc.*, 439 F.3d 1335, 1341 (Fed. Cir. 2006) (quoting *Kingsdown Med. Consultants Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988)).

34. “Intent need not be proven by direct evidence.” *M. Eagles*, 439 F.3d at 1341. “Intent is generally inferred from the facts and circumstances surrounding the applicant’s overall conduct, especially where there is no good faith explanation for a nondisclosure.” *Id.* “There still must be a factual basis, however, for a finding of intent.” *Id.*

35. Although intent to deceive may be found as a matter of inference from circumstantial evidence, such evidence must demonstrate that the applicant actually and specifically intended to deceive the U.S. Patent Office. Circumstantial evidence flowing from

oversight, carelessness, negligence or even gross negligence does not demonstrate intent.

Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867, 876 (Fed. Cir. 1988); *Johns Hopkins Univ. v. CellPro*, 978 F. Supp 184, 191 (D. Del. 1997).

36. “When the absence of a good faith explanation is the only evidence of intent . . . that evidence alone does not constitute clear and convincing evidence warranting an inference of intent.” *M. Eagles*, 439 F.3d at 1341. If and only if a *prima facie* case of inequitable conduct is shown—as to both materiality and intent—does the consideration of whether a good faith explanation is necessary become relevant. *Nordberg, Inc. v. Telsmith, Inc.*, 82 F.3d 394, 398-99 (Fed. Cir. 1996) (“[B]ecause [defendant] did not make a threshold showing of intent by [plaintiff] to mislead the PTO, [plaintiff] had no burden to produce evidence of good faith and the court properly declined to balance materiality and intent.”); *Emerson Elec. Co. v. Spartan Tool, LLC*, 223 F. Supp. 2d 856, 923 (Fed. Cir. 2002) (“[P]laintiffs do not bear the burden of presenting evidence of a good faith explanation . . . defendant must establish by clear and convincing evidence that [the prior art references] were material to the prosecution of the [patents-in-suit], that plaintiffs were aware of them and their materiality and that plaintiffs purposely chose not to disclose them to the PTO with the intent to deceive.”).

37. “Intent to deceive cannot be inferred solely from the fact that information was not disclosed.” *Dayco Prod., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1367 (Fed. Cir. 2003) (“[I]nequitable conduct requires not intent to withhold, but rather intent to deceive.”). This is true for two reasons. First, intent cannot exist under circumstances in which it would be impossible to conceal prior art of which one is unaware. *Nordberg, Inc. v. Telsmith Inc.*, 82 F.3d 394, 397 (Fed. Cir. 1996) (affirming determination of no intent because there was no showing that applicant was aware of the non-disclosed prior art during the patent prosecution process);

Therma-Tru Corp. v. Peachtree Doors Inc., 44 F.3d 988, 995-96 (Fed. Cir. 1995) (reversing on issue of intent because it cannot be inferred from mere fact of non-disclosure); *Tenneco Auto. Operating Co. Inc. v. Visteon Corp.*, 375 F. Supp. 2d 366, 375 (D. Del. 2005) (granting plaintiff's motion for summary judgment on inequitable conduct in part because defendant failed to present any evidence of knowledge of the purported prior art patent”).

38. “The habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988). “Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client’s interests adequately, perhaps.” *Burlington*, 849 F.2d at 1422. “They get anywhere with the accusation in but a small percentage of the cases, but such charges are not inconsequential on that account.” *Id.* “They destroy the respect for one another’s integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself.” *Id.* “A patent litigant should be made to feel, therefore, that an unsupported charge of ‘inequitable conduct in the Patent Office’ is a negative contribution to the rightful administration of justice.” *Id.*

39. Litigants have a higher burden to prove infectious inequitable conduct, or inequitable conduct based on the conduct of a separate patent application. “Inequitable conduct charges are disfavored by this court and charges of ‘infectious inequitable conduct’ even more so.” *Eaton Corp. v. Parker-Hannifin Corp.*, 2003 U.S. Dist. LEXIS 1014, at *2 (D. Del. Jan. 24, 2003). “To prove infectious unenforceability, an accused infringer must establish inequitable conduct sufficient to hold at least one patent unenforceable before [a court will] consider[] whether to hold an entire group of related patents unenforceable.” *Arthrocare Corp. v. Smith &*

Nephew, Inc., 310 F. Supp. 2d 638, 675 (D. Del. 2004), *rev'd in part on other grounds, vacated in part on other grounds*, 406 F.3d 1365 (Fed. Cir. 2005) (internal citations omitted). “If this threshold requirement is met, then the accused infringer must demonstrate an ‘immediate and necessary relation’ between the alleged inequitable conduct and enforcement of the related patents.” *Id.* (internal citations omitted).

40. “To prove infectious unenforceability, an accused infringer must establish two elements: (1) that a patent is unenforceable due to inequitable conduct; and (2) that related patents bear an immediate and necessary relation to that alleged inequitable conduct.” *MOSAID Techs. Inc. v. Samsung Elecs. Co.*, 362 F. Supp. 2d 526, 553-34 (D.N.J. 2005).

41. The Northern District of Illinois has recognized the governing standards for infectious unenforceability:

“[A] breach of the duty of candor early in the prosecution may render unenforceable all claims which eventually issue from the same or a related application.” *Fox Indus., Inc. v. Structural Preservation Sys., Inc.*, 922 F.2d 801, 804 (Fed. Cir. 1990). A patent that issues from a continuation or divisional application may be held unenforceable where (1) the applicant engaged in inequitable conduct with respect to the prosecution of an earlier related application in the chain leading to the challenged patent and (2) the inequitable conduct relates to the asserted claims of that patent. See *Semiconductor Energy Lab. v. Samsung Elecs. Co.*, 24 F. Supp. 2d 537, 543-44 (E.D. Va. 1998), *aff'd on other grounds* 204 F.3d 1368 (Fed. Cir. 2000); *eSpeed, Inc. v. Brokertec USA*, 417 F. Supp. 2d 580, 595 (D. Del. 2006). **However, the mere occurrence of inequitable conduct in connection with an application in a chain of applications is not sufficient to invalidate a patent issued as a result of a later application in that chain; instead, the earlier inequitable conduct in the chain must be related to the targeted claims of the ultimately issued patents sought to be enforced.** See *Semiconductor Energy Lab.*, 24 F. Supp. 2d at 543.

Generally, mere similarity in subject matter, mere citation to the unenforceable patent, and sharing a parent application are insufficient to invalidate a patent issued from a chain of applications in which inequitable conduct has been found as to an application within that chain. See *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1331-32 (Fed. Cir. 2004); *Hoffmann-La Roche, Inc. v. Omega Corp.*, 319 F. Supp. 2d 1011, 1021-22 (N.D. Cal. 2004).

Inequitable conduct can be cured by an applicant by: (1) expressly advising the PTO of the misrepresentation's existence, (2) advising the PTO of what the actual facts are and making it clear that further examination in light thereof may be required if any PTO action has been based on the misrepresentation, and (3) establishing patentability on the basis of the factually accurate record. *See Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983). Curing inequitable conduct cannot be made through manipulation of the patent prosecution procedures, such as amending or cancelling claims or filing continuation and divisional applications. *See Semiconductor*, 24 F. Supp. 2d at 544-45.

Nilssen v. Osram Sylvania, Inc., 440 F. Supp. 2d 884, 900 (N.D. Ill. 2006) (emphasis added).

42. The Court finds, balancing the levels of intent and materiality, in light of Armstrong's *pro se* prosecution, the references before the patent office, his disclosure of the CyberMan reference during the prosecution of the '828 Patent, and his detailed disclosure of the CyberMan reference during the prosecution of the '700 Patent, that Defendants have not proved that Armstrong committed inequitable conduct during the prosecution of the '525 Patent, and the '525 Patent thus is not rendered unenforceable.

43. Furthermore, even if Armstrong had committed inequitable conduct, his full and frank disclosure of the CyberMan reference during the prosecution of the '700 Patent "cures" any failure to disclose the reference during the '525 Application, as Armstrong particularly drew attention to the reference and its membrane element, distinguished his claims from that reference, and the '700 Patent issued over that disclosure. Thus, the '700 Patent is not unenforceable due to the CyberMan reference for the independent reason that any inequitable conduct in the '525 application was cured by Armstrong's representations during the prosecution of the '700 Patent.

44. Furthermore, Defendants have not shown, by clear and convincing evidence, that the asserted claims of the '700 Patent bears an "immediate and necessary relation" to the alleged inequitable conduct during the prosecution of the '525 Patent. The alleged

inequitable conduct -- the failure to disclose the CyberMan reference during the prosecution of the '525 Patent -- did not affect the issuance of the '700 Patent. The full disclosure of the CyberMan during the prosecution of the '700 Patent severed any relation between the purported inequitable conduct during the prosecution of the '525 Patent and the issuance and enforcement of the '700 Patent.

45. Defendants have failed to establish by clear and convincing evidence that the applicants for the Anascape patents or those substantively involved in the prosecution of the application intended to deceive the PTO during the examination of the application. There was no violation of the duty of candor during prosecution. No material information was withheld from the PTO.

46. The factual underpinnings of the Court's conclusions regarding inequitable conduct are discussed above in the findings of fact.

Dated: April 18, 2008

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ANASCAPE, LTD.**

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a) on April 18, 2008. As such, this notice was served on all counsel who have consented to electronic service. Local Rule CV-5(a)(3)(A).

/s/ Steven Callahan
Steven Callahan