

**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.

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

**ANASCAPE, LTD.'S SUR-REPLY TO DEFENDANTS' JOINT  
MOTION FOR SUMMARY JUDGMENT OF NO WILLFUL  
INFRINGEMENT OF U.S. PATENT NO. 6,906,700**

Anascape, Ltd. (“Anascape”) files its sur-reply to Defendants’ Joint Motion for Summary Judgment of No Willful Infringement of U.S. Patent No. 6,906,700 (“Summary Judgment Motion”), and respectfully shows as follows:

**I. INTRODUCTION**

Defendants’ Reply has not eliminated the fact issue that exists between the parties as to whether Defendants had pre-suit knowledge of the ‘700 patent. Nor has it eliminated the fact issue that exists as to whether *Seagate*’s objective inquiry is satisfied. Notably, Defendants have not put forth any evidence that eliminates the fact issue that exists between the parties with respect to *Seagate*’s subjective inquiry. Finally, Defendants have not established that Anascape would be precluded from a willfulness finding from post-suit conduct only. For these reasons, Defendants’ Summary Judgment Motion should be denied.

## II. ARGUMENT

### A. A Fact Issue Still Exists as to Whether Defendants Had Pre-Suit Knowledge of the ‘700 Patent

Defendants’ Reply makes much of the fact that Anascape did not specifically notify Defendants of the ‘700 patent’s issuance prior to filing suit.<sup>1</sup> Whether Anascape specifically provided Defendants with notice of the ‘700 patent, however, is not the relevant inquiry, as Anascape need *not* prove that it notified Defendants of the patent-in-suit, only that the Defendants had knowledge of it. It is immaterial how Defendants received knowledge of the patent-in-suit. *See, e.g., State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) (“To willfully infringe a patent, the patent must exist and one must have knowledge of it.”).

Anascape has introduced credible summary judgment evidence that would allow a reasonable jury to conclude that Defendants did, in fact, have pre-suit knowledge of the ‘700 patent. Notably, Defendants’ Summary Judgment Motion states only that “[t]here is no record evidence indicating that Nintendo or Microsoft had knowledge of the ‘700 patent prior to the filing of this action[.]” (Summary Judgment Motion at 2; *see also* Reply at 1.) Anascape’s Response laid out twelve pages of record evidence detailing Defendants’ interactions with Anascape, and knowledge of Anascape’s technology and patents, prior to the filing of this lawsuit. (Response at 2-14.) Among other things, Anascape notified Defendants of a number of its patents (including the parents to the ‘700 patent) and that it had a number of pending patent applications (while the ‘700 patent was pending). Anascape asked Defendants to review certain of their products in light of Anascape’s intellectual property. Anascape specifically notified Microsoft of the ‘700 patent application, and advised it that a notice of allowance had been

---

<sup>1</sup> Anascape certainly notified Defendants when it filed the instant suit on the ‘700 patent. For the reasons described in Anascape’s Response, a willfulness finding is still justified in the event the jury finds that Defendants did not have pre-suit knowledge of the ‘700 patent. (Response at 26-28.)

granted. Moreover, both Defendants prepared for and anticipated litigation against Anascape for a number of years, including during the period of time following the ‘700 patent’s issuance and prior to this lawsuit. Based on the totality of the evidence detailed by Anascape, a reasonable jury could conclude that Defendants had pre-suit knowledge of the ‘700 patent.<sup>2</sup>

Defendants appear to believe that there must be a “smoking gun” conclusively demonstrating that they had knowledge of the ‘700 patent pre-suit. There is no such requirement and Defendants cannot explain why a jury would not reasonably believe, from the evidence laid out by Anascape, that Defendants acquired knowledge of the ‘700 patent pre-suit. This conclusion is strengthened by the fact that Defendants—two large, sophisticated corporations—prepared for litigation against Anascape after the ‘700 patent issued and pre-suit. The circumstantial evidence of knowledge adduced by Anascape justifies a finding of pre-suit knowledge of the ‘700 patent.

**B. A Fact Issue Still Exists as to Whether Seagate is Satisfied**

Defendants’ main argument seems to be that no reasonable jury could find that they willfully infringe the ‘700 patent because the PTO granted Microsoft’s reexamination request.<sup>3</sup> This argument should be rejected, as a reasonable jury could determine that *Seagate* is satisfied despite the PTO’s reexamination decision.

First, the ‘700 patent is presumed valid. This presumption does not change by the mere granting of a reexamination request. Second, the PTO considered the validity of the ‘700

---

<sup>2</sup> In an attempt to prove lack of knowledge of the ‘700 patent, Defendants submitted *ex parte* evidence to this Court. (*See* Reply, Docket No. 258 at 4 n.3; *see also* Docket Nos. 269, 271.) Anascape objected to this improper attempt to ask this Court to decide the Summary Judgment Motion based on *ex parte* evidence. (*See* Objection to Defendants’ Notices of Submission of Documents for *In Camera* Review (Docket No. 272).) Defendants thereafter withdrew the submitted documents from this Court’s consideration, and asked that this Court decide the Summary Judgment Motion without reference to the *ex parte* documents. (Docket No. 279 at 2.)

<sup>3</sup> The summary judgment evidence before this Court establishes that Defendants do not have a single employee with knowledge of the reexamination decision, much less who believes in its accuracy. (*See* Response at 18.)

patent (including whether the ‘700 patent should issue as a continuation of the ‘525 patent) during the ‘700 patent’s prosecution history. The examiner plainly identified and considered the issue of whether the ‘700 patent was properly a continuation or a continuation-in-part of the ‘525 patent and concluded that it was a continuation whose claims did not rely on new material. *See* Exs. B-D attached to Anascape’s Response to Defendants’ Joint Motion in Limine (Docket No. 280); *see also Pirkle v. Ogontz Controls Co.*, 90-2430, 1992 U.S. Dist. LEXIS 9601, at \*7 n.6 (D. Pa. July 9, 1992) (noting that “no continuation claim will be accepted if it would constitute a new matter if inserted into the parent”). Third, as this Court is aware, the PTO grants reexamination requests at a much greater rate than it invalidates the patents subject to the reexamination request. (*See, e.g.*, Anascape’s Consolidated Response to Defendants’ Motion to Stay (Docket No. 62) at 2.) And fourth, Anascape has yet to respond in the reexamination, and the PTO’s reexamination decision is by no means final. Anascape expects that, with the benefit of Anascape’s input, the PTO will reach the same conclusion that it did during the prosecution of the ‘700 patent—that the ‘700 patent is valid as written.

Additional summary judgment facts demonstrating Defendants’ reckless behavior vis-à-vis the ‘700 patent include:

- Defendants continue to sell their infringing products and have not attempted to design around the ‘700 patent despite being advised of its validity and of their infringement;
- Defendants lack any employee who has read the reexamination decision;
- At *Markman*, Defendants lost their “single input member” construction argument;
- This Court denied Defendants’ non-infringement summary judgment motions;
- This Court denied Defendants’ invalidity summary judgment motion;
- Defendants have taken a non-infringement position despite claiming that the Sony Dual Shock controller anticipates certain claims of the ‘700

patent even though Defendants' controllers contain the same features of the Sony Dual Shock;

- Defendants have not obtained an opinion of counsel; and
- Defendants never conducted any investigation of the scope of the '700 patent.

(See Response at 24-26 and citations to Additional Material Facts cited therein.)<sup>4</sup> All of these facts are relevant to *Seagate's* objective inquiry, as none hinge on Defendants' state of mind.

Regarding *Seagate's* subjective inquiry, the summary judgment evidence before this Court includes Defendants' knowledge of all of the facts identified above and also that:

- Defendants have no employees who believe that the reexamination decision is accurate;
- Defendants have no employees who believe that Defendants are not willfully infringing the '700 patent;
- Defendants never formed a good faith belief that the '700 patent was invalid or not infringed; and
- Defendants' motive to continue their infringement is the pursuit of profit and increased market penetration.

(See Response at 24-26 and citations to Additional Material Facts cited therein.)

All of the above referenced facts are relevant to the willfulness inquiry, which considers the totality of the circumstances under which a defendant infringed. *See, e.g., TGIP v. AT&T*, 2:06-cv-00105-RHC (E.D. Tex. Sept. 19, 2007) (Jury Instructions, Docket No. 499 at 13-14) (listing willfulness factors); *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 n.5 (Fed. Cir. 2007) (suggesting that the standards of commerce "would be among the *factors* a court might consider") (emphasis added); *Computer Acceleration Corp. v. Microsoft*, 9:06-cv-140-

---

<sup>4</sup> Defendants have not disputed a single one of the facts listed in Anascape's sixteen pages of Additional Material Facts.

RHC (E.D. Tex. Nov. 15, 2007) (Jury Instructions, at 13) (“In deciding whether [a Defendant] acted with reckless disregard for [a plaintiff’s] patent, you should consider all of the facts surrounding the alleged infringement[.]”). Defendants have adduced no summary judgment evidence negating or contradicting these facts (and even if they had, the facts must be construed in Anascape’s favor for summary judgment purposes).

Defendants’ Reply, in supposedly addressing “each of Anascape’s allegations,” wholly ignores many facts laid out in Anascape’s Response, including that: (i) Defendants lost on one of their key *Markman* terms; (ii) Defendants lost their three summary judgment motions; (iii) Defendants continue to sell accused products despite being advised of the ‘700 patent and their infringement; and (iv) Defendants contest infringement of certain claims of the ‘700 patent but argue that the Sony Dual Shock controller (a controller with features found in their own controllers) anticipates these same claims.

Defendants’ Reply’s argument regarding the other facts is not persuasive. The lack of a single employee who believes that Defendants are not infringing or with knowledge of the reexamination is certainly relevant to *Seagate*’s subjective inquiry. The lack of an opinion of counsel is one of the factors this Court has recognized as relevant to the willfulness inquiry post-*Seagate*. *TGIP v. AT&T*, 2:06-cv-00105-RHC (E.D. Tex. Sept. 19, 2007) (Jury Instructions, Docket No. 499 at 13-14) (listing willfulness factors). The failure to investigate the scope of the ‘700 patent and failure to attempt a design around relate to, at a minimum, *Seagate*’s subjective inquiry.<sup>5</sup> Evidence of Defendants’ bad faith motive to cause harm certainly informs *Seagate*’s subjective inquiry.

---

<sup>5</sup> Defendants point out that a survey of post-*Seagate* cases “reveal[s] no decision in which *Read*’s failure to investigate and form beliefs factor has been used to support a finding of willfulness.” (Reply at 7.) This, of course, if true is not surprising, as *Seagate* was decided only months ago. The same is true for what post-*Seagate* cases supposedly “reveal” through other omissions. (*Id.*)

### **III. CONCLUSION**

The summary judgment evidence before this Court indicates that Defendants had pre-suit knowledge of the '700 patent, there was an objectively high likelihood of infringement, and that Defendants knew they were infringing and failed to take any remedial action to alleviate their infringement. For these reasons, and those described above and in Anascape's Response, this Court should deny Defendants' Summary Judgment Motion.

DATED: April 21, 2008

**PARKER, BUNT & AINSWORTH P.C.**

Robert M. Parker  
Texas State Bar No. 15498000  
rmparker@pbatyler.com  
Robert Christopher Bunt  
Texas State Bar No. 00787165  
rcbunt@pbatyler.com  
Charles Ainsworth  
Texas State Bar No. 00783521  
charley@pbatyler.com  
Parker, Bunt & Ainsworth P.C.  
100 E. Ferguson Street, Suite 1114  
Tyler, Texas 75702  
Telephone: (903) 531-3535  
Telecopier: (903) 533-9687

Respectfully submitted,

**McKOOL SMITH, P.C.**

By: /s/ Douglas A. Cawley  
Douglas A. Cawley  
Lead Attorney  
Texas State Bar No. 04035500  
dcawley@mckoolsmith.com  
Theodore Stevenson, III  
Texas State Bar No. 19196650  
tstevenson@mckoolsmith.com  
Christopher T. Bovenkamp  
Texas State Bar No. 24006877  
cbovenkamp@mckoolsmith.com  
Anthony M. Garza  
Texas State Bar No. 24050644  
agarza@mckoolsmith.com  
Jason D. Cassady  
Texas State Bar No. 24045625  
jcassady@mckoolsmith.com  
Steven Callahan  
Texas State Bar No. 24053122  
scallahan@mckoolsmith.com  
McKool Smith, PC  
300 Crescent Court, Suite 1500  
Dallas, Texas 75201  
Telephone: (214) 978-4000  
Telecopier: (214) 978-4044

Sam Baxter  
Texas State Bar No. 01938000  
sbaxter@mckoolsmith.com  
P.O. Box O  
104 East Houston Street, Suite 300  
Marshall, Texas 75670  
Telephone: (903) 923-9000  
Telecopier: (903) 923-9099

**ATTORNEYS FOR PLAINTIFF 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 21, 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