

Robert J. Gunther, Jr.

May 2, 2008

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robert.gunther@wilmerhale.com**By Email, Fax and Federal Express**Honorable Ron Clark
United States District Court
300 Willow Street, Suite 221
Beaumont, Texas 77701RE: *Anascape v. MS & Nintendo (Case No. 9:06-CV-00158-RC)*

Dear Judge Clark:

Nintendo of America Inc. respectfully submits this letter brief to (a) address the admissibility of Mr. Armstrong's admission that he was aware of and used the GameCube controller in order to draft the asserted claims of the patent in suit; and (b) respond to Anascape's hearsay objection with respect to DX 291.

Mr. Armstrong's Drafting of Claims to Cover the Accused GameCube Controller

During the discussion of this issue at yesterday's pre-trial conference, the Court correctly observed that the question of whether the '700 patent is entitled to a priority date based on the 1996 application is a central issue in this case. Mr. Armstrong's decision to write the '700 patent claims after learning of the GameCube controller in order to cover that product is part of the overall facts and circumstances that the jury should be able to consider in deciding this critical issue.¹ The case law is clear that an inventor's knowledge and use of the accused products in prosecuting the patent and drafting claims is directly relevant to a defendant's assertion that the alleged inventor did *not* actually invent the later-filed claims and that the later-filed claims are *not* supported by the priority application. *See, e.g., Gentry Gallery, Inc. v. Berklene Corp.*, 134 F. 3d 1473, 1478-79 (Fed. Cir. 1998) (attached as Exhibit A); *Rambus, Inc. v. Infineon Tech.*, 330 F. Supp. 2d 679, 694 n.22 (E.D. Va. 2004) (attached as Exhibit B).

In *Gentry Gallery*, the patent-in-suit only described a sectional sofa having recliner controls on the console, and the patent provided that an object of the invention was "to provide a sectional sofa 'with a console ... that accommodates the controls for both the reclining seats'" *Id.* at 1478. After the patent application was filed, the applicant drafted claims in which the location of the recliner controls was not limited to the console. The issue in *Gentry Gallery* was

¹ Nintendo notes that although it elicited numerous deposition admissions from Mr. Armstrong concerning his writing of the asserted claims in 2002 with knowledge of the GameCube controller and in an effort to cover that product, *see, e.g.,* Deposition of Mr. Brad Armstrong, March 17, 2008, at pages 345 and 347 (attached at Exhibit C), Anascape did not raise this issue by way of a motion in limine. Until the Court raised this issue on its own in connection with Anascape's hearsay objection to DX 291, both sides anticipated that these facts would be put before the jury.

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the same issue presented in the instant case, i.e., whether the later-filed claims were supported by the patent specification. *Id.* at 1478-79.

In order to answer that question, the Federal Circuit examined the patent specification and the claims, but it did not end its analysis with just the patent document alone. Instead, it also considered testimony of the inventor that the impetus to draft broader claims in which the location of the controls was not limited to the console was based on his learning that competitors were making sofas with controls located outside the console:

Finally, although not dispositive, because one can add claims to a pending application directed to adequately described subject matter, Sproule admitted at trial that he did not consider placing the controls outside the console until he became aware that some of Gentry's competitors were so locating the recliner controls.

Id. at 1479. Based on all of this evidence, including the inventor testimony, the Federal Circuit found that the claims were not supported by the specification.

Relying on the above quote from *Gentry Gallery*, the *Rambus* court permitted evidence and argument that Rambus had written patent claims after the fact to cover industry standard products:

In other words, as part of its 35 U.S.C. § 112 defense, Infineon, in its attempt to show that Rambus was not in possession of the disputed inventions at the time it filed the '898 application, can offer evidence and argument that, far from disclosing the inventions in the '898 application, Rambus in fact only learned of the inventions from its attendance at JEDEC. Thus, as part of its written description defense, Infineon can show that Rambus used information learned at JEDEC to guide its patent prosecution in order to cover technologies that it did not actually invent and that were not disclosed in the '898 [priority] application.

Rambus, 330 F. Supp. at 694 n.22. Nintendo's intended use of Mr. Armstrong's possession and use of the GameCube controller to fashion later-filed claims is entirely consistent with the uses of such evidence in *Gentry Gallery* and *Rambus* – as evidence that (1) Mr. Armstrong was *not* the inventor of his later claimed technology, and (2) his priority 1996 application does *not* adequately support his later-filed claims. *TurboCar Div. of Demag Delaval Turbomachinery Corp. v. GE*, 264 F.3d 1111, 1118 (Fed. Cir. 2001) (when “the applicant adds a claim or otherwise amends his specification after the original filing date, ... the new claim or other added

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material must find support in the original specification.”)² This testimony bears directly on whether the 1996 application properly supports Mr. Armstrong’s later-filed claims.

Similarly in this case, Mr. Armstrong filed an application in 1996 that was limited to a single input member six degree of freedom controller. The 1996 application repeatedly references this specific type of controller as an object of the invention (DX 306, Armstrong’s 1996 Application, page 2, lines 8, 14, 20, and 30; page 3, lines 3 and 8; page 4, lines 4 and 21; page 5, line 30; page 6, line 17; page 10, lines 23 and 30; page 11, lines 4, 10, and 16; page 15, line 35; all original claims 1-18); every embodiment contains a controller with a single input member moveable in six degrees of freedom (DX 306, Figs. 2-6, 12, and 20-21); and the application explicitly criticizes and distinguishes a multiple input member controller described in a prior art patent to Chang as “functionally and structurally deficient” because of Chang’s lack of a single input member. (DX 306, page 5, lines 30-35.) Mr. Armstrong’s 1996 application and the language of the later-drafted claims, which have been construed by the Court to have a scope that would cover controllers that have multiple input members, are undoubtedly important. Here, as in *Gentry Gallery* and *Rambus*, Nintendo contends that the 1996 application does not satisfy 35 U.S.C. § 112, a conclusion that is supported by inventor Armstrong’s drafting new, broader claims to cover a later-developed product – the accused GameCube controller – only after learning of and obtaining that product.³

Furthermore, Mr. Armstrong’s admission that he drafted the claims of his ‘700 application to cover the GameCube controller also relates to the issue of whether the Wii remote (when used in combination with the Nunchuk) infringes the ‘700 patent. Mr. Armstrong’s admission that his claims were specifically written to cover a particular product – the Nintendo GameCube controller – will assist the jury in understanding why Nintendo’s Wii controller does not infringe claim 19 of the ‘700 patent (the only claim Anascape asserts against the Wii). Just as Anascape has contended that pre-suit meetings between Mr. Armstrong and Nintendo representatives that took place years before the patent-in-suit issued are “circumstantial evidence of infringement,” (Anascape’s Response to Defendants’ Motion in Limine No. 5), Mr.

² To be sure, the Federal Circuit has held that there is nothing improper *per se* in subsequently adding claims to cover a competitor’s product. *Liebel-Flarsheim co. v. Medrad, Inc.*, 358 F.3d, 898, 909 (Fed. Cir. 1988). However, as Anascape’s citation to the *Liebel-Flarsheim* case made clear, this type of broadening is permissible only “*as long as the disclosure supports the broader claims.*” *Id.* (emphasis added) That is precisely the issue at the core of this case – whether the later-filed claims are supported by the 1996 application. Nintendo is *not* arguing that Mr. Armstrong’s drafting of claims to cover the GameCube controller was wrong *per se*. Rather, Nintendo is arguing that Mr. Armstrong’s drafting of those claims to cover this accused product is evidence, when combined with the 1996 application and all the relevant facts and circumstances that led to Mr. Armstrong filing those later claims in the ‘700 patent application, that these later drafted claims are not entitled to the priority date of the 1996 application under 35 U.S.C. § 112. This is entirely permissible.

³ Anascape’s reliance on *Noelle v. Lederman*, 355 F.3d 1343 (Fed. Cir. 2004), for the proposition that Mr. Armstrong’s testimony, as an inventor, is irrelevant to the invalidity question at issue is misplaced. Both the *Gentry Gallery* and *Rambus* courts concluded that the trier of fact would consider the testimony of the inventor concerning the circumstances surrounding the broadening of the later-filed claims relevant to the invalidity analysis.

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Armstrong's admission that he wrote the claims to cover the GameCube controller is circumstantial evidence that the Wii, a product Mr. Armstrong did not even know about until after the lawsuit was filed, does not infringe the particularly worded claims of the '700 patent.

Finally, fundamental fairness requires that the jury have the full story concerning how the asserted claims came to be, and what Mr. Armstrong, the inventor, thinks he invented.⁴ If context were not important, then patent trials would be held in a vacuum. The claims would be presented and experts would opine concerning the issues of infringement and invalidity based solely on the patent documents themselves and the accused products. Routinely, however, the patent owner attempts to give the jury context concerning the patent by having one or more inventors testify concerning the "invention story." In this case, Mr. Armstrong will undoubtedly provide an extensive narrative concerning his development of the alleged invention, Mr. Tyler will provide his beliefs about how Mr. Armstrong and Mr. Armstrong's inventions have advanced the technology in the gaming industry, and one or both of them may refer to Anascape's license with Sony to bolster the business of Anascape as well as imply that the 1996 application supports the '700 patent.

In this case, that narrative is, at best, only half of the story. Nintendo should not be prevented from telling the rest of the story, including the fact that the same witness who is telling the jury about his alleged invention as embodied in his 1996 application, rewrote the application four years after filing the 1996 application, but only months after learning about the GameCube controller, and then wrote claims with the accused GameCube controller before him.

This is particularly true given the fact that the Court is permitting Anascape to present evidence, including the 1997 meeting between Mr. Armstrong and Nintendo's Mr. Cheng, which Anascape will use to raise an inference of copying, some interest by Nintendo in the technology, and to show circumstantial evidence of Nintendo's infringement, despite the fact that willfulness is out of the case and the '700 patent was neither applied for nor issued at the time of that 1997 meeting. Furthermore, if Anascape is entitled to present this type of evidence under the guise of "background," surely Nintendo should be permitted to submit evidence as to what Mr. Armstrong in fact did in drafting the asserted claims.⁵

⁴ Anascape's reliance on *Akamai Techs, Inc. v. Cable & Wireless Servs.*, and *Markman v. Westview Instruments*, is misplaced. Rather than relating to admissions against self-interest, those cases stand for the unremarkable proposition that self-serving testimony by the inventor is not relevant to claim construction. *Solomon v. Kimberly-Clark* is also inapposite. There, the Federal Circuit held that inventor testimony was not relevant to whether the claims satisfied the definiteness requirement of 35 U.S.C. § 112, ¶ 2 – an issue not present in this case.

⁵ Independently of any Anascape Copying allegations, Nintendo is entitled to put on a case that Mr. Armstrong did not invent the subject matter he is now claiming.

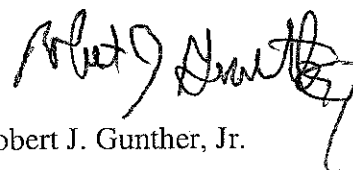
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Anascape's hearsay objection with respect to DX 291

Anascape's hearsay objection to DX 291 is not well taken. An August 22, 2000 email from Mr. Armstrong to Mr. Tyler shows that in the late summer of 2000, Armstrong was searching the Internet, and specifically a website run by a company called IGN, for information about Nintendo's controller for the next generation system which became the GameCube. In his email, Mr. Armstrong stated that "I have read that [the IGN website] is the best site for Nintendo Dolphin unofficial information."⁶ He concluded the email with by telling Mr. Tyler: "This may be the best site to watch." DX 211.

DX291 is a print out of a web page from the IGN site dated September 28, 2000. The page is entitled "The Ultimate GameCube FAQ." On the 13th page of DX 291 (the document is not paginated), pictures of the GameCube controller are shown along with text describing the features of the controller. Given Mr. Armstrong's August 22, 2000 statement that the IGN website "may be the best one to watch," it is reasonable to conclude that Mr. Armstrong saw the information in DX 291 concerning the GameCube controller, and that this information, along with other information concerning GameCube was known to Mr. Armstrong when he wrote the application for the '700 patent, which he filed just two months later in November, 2000. DX 291 is not offered for the truth of its contents *i.e.*, to prove the structure of the GameCube controller; rather it is offered to show Mr. Armstrong's knowledge and use of the GameCube controller at the time he prepared and filed the application for the patent-in-suit. This information is clearly relevant to the issue of priority as discussed above.

Respectfully submitted,



Robert J. Gunther, Jr.

cc: All counsel of record

⁶ "Dolphin" was the code name for the Nintendo GameCube prior to the launch of that product.

Exhibit A

134 F.3d 1473
 134 F.3d 1473, 45 U.S.P.Q.2d 1498
 (Cite as: 134 F.3d 1473)

▷ Gentry Gallery, Inc. v. Berklinc Corp.
 C.A.Fed. (Mass.), 1998.

United States Court of Appeals, Federal Circuit.
 The GENTRY GALLERY, INC., Plaintiff-Appellant,

v.
 The BERKLINC CORPORATION,
 Defendant/Cross-Appellant.
 Nos. 97-1076, 97-1104 and 97-1182.

Jan. 27, 1998.

Rehearing Denied; Suggestion For Rehearing In
 Banc Declined April 3, 1998.

Patentee brought action against competitor, alleging infringement of its patent for sectional sofa with side-by-side recliners separated by a "fixed console." The United States District Court for the District of Massachusetts, Ponsor, J., 939 F.Supp. 98, ruled that patent was not infringed and declined to award attorney fees for patentee's defense to competitor's assertion that patent was unenforceable. Patentee appealed. The Court of Appeals, Lourie, Circuit Judge, held that: (1) patent was not literally infringed; (2) evidence was insufficient to overcome presumption of validity and establish that patent was invalid as obvious; (3) patent disclosure did not support claims in which location of recliner controls was other than on the console; and (4) patentee was not "prevailing party" entitled to award of attorney fees.

Affirmed in part and reversed in part.

West Headnotes

[1] Patents 291 ↪ 234

291 Patents

291XII Infringement

291XII(A) What Constitutes Infringement

291k233 Patents for Machines or
 Manufactures

291k234 k. Identity in General. Most
 Cited Cases

Patent for sectional sofa with side-by-side recliners separated by "fixed console" was not literally

infringed by sectional sofa with recliners separated by fold down table top, where prosecution history indicated that term "console" was not met by sofa section having back seat that folded down to serve as table top.

[2] Patents 291 ↪ 168(2.1)

291 Patents

291IX Construction and Operation of Letters
 Patent

291IX(B) Limitation of Claims

291k168 Proceedings in Patent Office in
 General

291k168(2) Rejection and Amendment
 of Claims

291k168(2.1) k. In General. Most
 Cited Cases

Patents 291 ↪ 237

291 Patents

291XII Infringement

291XII(A) What Constitutes Infringement

291k233 Patents for Machines or
 Manufactures

291k237 k. Substitution of Equivalents.
Most Cited Cases

Arguments made by patent applicant in petition to make special (PTMS) can create an estoppel, and thus preclude finding of infringement under the doctrine of equivalents. 37 C.F.R. § 1.102.

[3] Patents 291 ↪ 312(6)

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k312 Evidence

291k312(3) Weight and Sufficiency

291k312(6) k. Particular Matters,
 Sufficiency as To. Most Cited Cases

Evidence that prior art sectional sofa could have been combined with prior art armless recliner to produce sectional sofa with side-by-side recliners was insufficient to overcome presumption of validity and establish that patent for sectional sofa with side-by-

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side recliners separated by “fixed console” was invalid as obvious; neither prior art invention had “fixed console” between recliners, and use of armless recliner in sectional sofa was considered inappropriate by those skilled in the art. 35 U.S.C.A. §§ 103, 282.

[4] Patents 291 ↪324.5

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k324 Appeal

291k324.5 k. Scope and Extent of

Review in General. Most Cited Cases

Patents 291 ↪324.55(4)

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k324 Appeal

291k324.55 Questions of Fact,

Verdicts, and Findings

291k324.55(3) Issues of Validity

291k324.55(4) k. Novelty,

Invention, Anticipation, and Obviousness. Most Cited Cases

On appeal from bench trial in patent infringement case, Court of Appeals reviews legal conclusion of nonobviousness de novo, and factual inquiries underlying that conclusion for clear error. 35 U.S.C.A. § 103.

[5] Patents 291 ↪97

291 Patents

291IV Applications and Proceedings Thereon

291k97 k. Patent Office and Proceedings

Therein in General. Most Cited Cases

Disclosure of patent for sectional sofa with side-by-side recliners separated by “fixed console” did not support claims in which location of recliner controls was other than on the console; original disclosure identified console as only possible location for controls, and variation beyond the console was not even suggested. 35 U.S.C.A. § 112.

[6] Patents 291 ↪314(5)

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k314 Hearing

291k314(5) k. Questions of Law or

Fact. Most Cited Cases

(Formerly 291k99)

Patents 291 ↪324.55(3.1)

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k324 Appeal

291k324.55 Questions of Fact,

Verdicts, and Findings

291k324.55(3) Issues of Validity

291k324.55(3.1) k. In General.

Most Cited Cases

Whether patent specification complies with statutory written description requirement is a question of fact, which Court of Appeals reviews for clear error on appeal from bench trial. 35 U.S.C.A. § 112.

[7] Patents 291 ↪99

291 Patents

291IV Applications and Proceedings Thereon

291k99 k. Description of Invention in

Specification. Most Cited Cases

To fulfill written description requirement, patent specification must clearly allow persons of ordinary skill in art to recognize that inventor invented what is claimed. 35 U.S.C.A. § 112.

[8] Patents 291 ↪99

291 Patents

291IV Applications and Proceedings Thereon

291k99 k. Description of Invention in

Specification. Most Cited Cases

Patent applicant complies with written description requirement by describing invention, with all its claimed limitations. 35 U.S.C.A. § 112.

[9] Patents 291 ↪101(3)

291 Patents

291IV Applications and Proceedings Thereon

291k101 Claims

134 F.3d 1473
 134 F.3d 1473, 45 U.S.P.Q.2d 1498
 (Cite as: 134 F.3d 1473)

291k101(3) k. Limitations in General. Most

Cited Cases

Patent claims may be no broader than supporting disclosure, and therefore, narrow disclosure will limit claim breadth. 35 U.S.C.A. § 112.

[10] Patents 291 ↪ 325.11(3)

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k325 Costs

291k325.11 Disbursements in General

291k325.11(2) Attorney Fees

291k325.11(3) k. Award to

Plaintiff. Most Cited Cases

(Formerly 291k325.11(2.1))

Patentee that prevailed on alleged infringer's obviousness defense in infringement action, but did not establish that its patent was infringed, was not "prevailing party" entitled to award of attorney fees. 35 U.S.C.A. § 285.

[11] Patents 291 ↪ 325.11(2.1)

291 Patents

291XII Infringement

291XII(C) Suits in Equity

291k325 Costs

291k325.11 Disbursements in General

291k325.11(2) Attorney Fees

291k325.11(2.1) k. In General.

Most Cited Cases

Requirements for awarding attorney fees under section patent attorney fee statute are that (1) case must be exceptional, (2) district court may exercise its discretion, (3) fees must be reasonable, and (4) fees may be awarded only to prevailing party. 35 U.S.C.A. § 285.

Patents 291 ↪ 328(2)

291 Patents

291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents

291k328 Patents Enumerated

291k328(2)k. Original Utility. Most Cited

Cases

4,668,009. Cited as prior art.

Patents 291 ↪ 328(2)

291 Patents

291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents

291k328 Patents Enumerated

291k328(2) k. Original Utility. Most Cited

Cases

5,064,244. Original.

*1474 James J. Foster, Wolf, Greenfield & Sacks, P.C., Boston, MA, argued for plaintiff-appellant. With him on the brief was Douglas R. Wolf, Ronald L. Engel, Rudnick & Wolfe, Chicago, IL, argued for defendant-cross appellant. With him on the brief was Richard A. Machonkin. Of counsel on the brief was David D. Kaufman, Hamman & Benn, Chicago, IL.

Before RICH, Circuit Judge, FRIEDMAN, Senior Circuit Judge, and LOURIE, Circuit Judge.

LOURIE, Circuit Judge.

The Gentry Gallery appeals from the judgment of the United States District Court for the District of Massachusetts holding that the Berklene Corporation does not infringe U.S. Patent 5,064,244, and declining to award attorney fees for Gentry's defense to Berklene's assertion that the patent was unenforceable. See Gentry Gallery, Inc. v. Berklene Corp., 30 USPO2d 1132, 1994 WL 171795 (D.Mass.1994)(Gentry I). Berklene cross-appeals from the decision that the patent was not shown to be invalid. See Gentry Gallery, Inc. v. Berklene Corp., 939 F.Supp. 98, 41 USPO2d 1345 (D.Mass.1996)(Gentry II). Because the court correctly concluded that the claims were not infringed by Berklene, and that the subject matter of the asserted claims was not shown to have been obvious, and did not abuse its discretion in declining to award attorney fees, we affirm these decisions. However, because the court clearly erred in finding that the written description portion of the specification supported certain of the broader claims asserted by Gentry, we reverse the decision that those claims are not invalid under 35 U.S.C. § 112, ¶ 1 (1994).

BACKGROUND

Gentry owns the '244 patent, which is directed to a

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unit of a sectional sofa in which two independent reclining seats ("recliners") face in the same direction. Sectional sofas are typically organized in an L-shape with "arms" at the exposed ends of the linear sections. According to the patent specification, because recliners usually have had adjustment controls on their arms, sectional sofas were able to contain two recliners only *1475 if they were located at the exposed ends of the linear sections. Due to the typical L-shaped configuration of sectional sofas, the recliners therefore faced in different directions. See '244 patent, col. 1, ll. 15-19. Such an arrangement was "not usually comfortable when the occupants are watching television because one or both occupants must turn their heads to watch the same [television] set. Furthermore, the separation of the two reclining seats at opposite ends of a sectional sofa is not comfortable or conducive to intimate conversation." *Id.* at col. 1, ll. 19-25.

The invention of the patent solved this supposed dilemma by, *inter alia*, placing a "console" between two recliners which face in the same direction. This console "accommodates the controls for both reclining seats," thus eliminating the need to position each recliner at an exposed end of a linear section. *Id.* at col. 1, ll. 36-37. Accordingly, both recliners can then be located on the same linear section allowing two people to recline while watching television and facing in the same direction. Claim 1, which is the broadest claim of the patent, reads in relevant part:

A sectional sofa comprising:

a pair of reclining seats disposed in parallel relationship with one another in a double reclining seat sectional sofa section being without an arm at one end ...,

each of said reclining seats having a backrest and seat cushions and movable between upright and reclined positions ...,

a fixed console disposed in the double reclining seat sofa section between the pair of reclining seats and with the console and reclining seats together comprising a unitary structure,

said console including an armrest portion for each of the reclining seats; said arm rests remaining fixed when the reclining seats move from one to another of

their positions,

and a pair of control means, one for each reclining seat; mounted on the double reclining seat sofa section

Id. at col. 4, line 68 to col. 5, ll. 1-27 (emphasis added to most relevant claim language). Claims 9, 10, 12-15, and 19-21 are directed to a sectional sofa in which the control means are specifically located on the console.

In 1991, Gentry filed suit in the District Court for the District of Massachusetts alleging that Berkline infringed the patent by manufacturing and selling sectional sofas having two recliners facing in the same direction. In the allegedly infringing sofas, the recliners were separated by a seat which has a back cushion that may be pivoted down onto the seat, so that the seat back may serve as a tabletop between the recliners. In response to Gentry's complaint, Berkline moved and was granted a transfer to the District of Massachusetts of its earlier-filed action in the United States District Court for the Middle District of North Carolina seeking a declaration that the patent was invalid and not infringed. After that declaratory judgment action was consolidated with Gentry's infringement suit, Berkline added a counterclaim asserting that the patent was unenforceable because of inequitable conduct. The district court granted Berkline's motion for summary judgment of non-infringement, but denied its motions for summary judgment of invalidity and unenforceability. In construing the language "fixed console," the court relied on, *inter alia*, a statement made by the inventor named in the patent, James Sproule, in a Petition to Make Special (PTMS). See 37 C.F.R. § 1.102 (1997). Sproule had attempted to distinguish his invention from a prior art reference by arguing that that reference, U.S. Patent 3,877,747 to Brennan *et al.* ("Brennan"), "shows a complete center seat with a tray in its back." *Gentry I*, 30 USPQ2d at 1137. Based on Sproule's argument, the court concluded that, as a matter of law, Berkline's sofas "contain[] a drop-down tray identical to the one employed by the Brennan product" and therefore did not have a "fixed console" and did not literally infringe the patent. *Id.* The court held that Gentry was also "precluded from recovery" under the doctrine of equivalents. *Id.* at 1138.

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 (Cite as: 134 F.3d 1473)

Gentry then requested that final judgment be entered so that it could immediately appeal the non-infringement decision. Berkline *1476 requested that its invalidity and unenforceability counterclaims proceed to trial on the authority of Cardinal Chemical Co. v. Morton International, Inc., 508 U.S. 83, 113 S.Ct. 1967, 124 L.Ed.2d 1, 26 USPQ2d 1721 (1993). The court agreed with Berkline, stating “that further proceedings will be necessary on the issues of invalidity and inequitable conduct.” After a bench trial, the court held that the patent was not invalid under 35 U.S.C. §§ 102 or 103 (1994), and that the claims in which the location of the controls is not limited to the console (claims 1-8, 11, and 16-18) are not invalid under 35 U.S.C. § 112, ¶ 1 (1994). See Gentry II, 939 F.Supp. at 101-06, 41 USPQ2d at 1348-52. The court also held that Berkline had failed to prove that the patent was obtained by inequitable conduct and in so ruling noted that “[t]he evidence at trial was not even close.” *Id.* at 101, 41 USPQ2d at 1347. The court denied Gentry’s motion for the attorney fees it had incurred in overcoming Berkline’s allegation of inequitable conduct. The court expressed “sympathy for Gentry, especially in view of Berkline’s insistence on pressing the case after prevailing on the infringement issue,” but nonetheless concluded that “these circumstances do not permit consideration of an award of fees.”

Gentry appeals from the decision of non-infringement and the court’s refusal to award attorney fees. Berkline cross-appeals from the decision that the claims are not invalid under §§ 103 or 112. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1994).

DISCUSSION

A. Infringement

[1] Gentry argues that the district court erred in construing the claim terms “fixed” and “console” in granting summary judgment of non-infringement. Gentry asserts that the term “fixed” merely requires that the sofa section be rigidly secured to the adjoining recliners and that the term “console” refers to any sofa section that separates two recliners and can function as a tabletop. Accordingly, Gentry argues that on the undisputed facts it, not Berkline, is entitled to summary judgment on the issue of infringement. Berkline argues that summary

judgment was properly granted because the term “fixed” requires that no part of the console be movable, while Berkline’s sofa has a center seat back that can pivot. Berkline also argues that Gentry effectively defined a center seat with a retractable seat back as *not* a “console” when it distinguished the Brennan reference in the PTMS. On the basis of Berkline’s second argument, we agree that it is entitled to judgment as a matter of law that it does not infringe the ‘244 patent.

We review a district court’s grant of summary judgment *de novo*. See Conroy v. Reebok Int’l, Ltd., 14 F.3d 1570, 1575, 29 USPQ2d 1373, 1377 (Fed.Cir.1994). Summary judgment is appropriate when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. See Fed.R.Civ.P. 56(c); Johnston v. IVAC Corp., 885 F.2d 1574, 1576-77, 12 USPQ2d 1382, 1383 (Fed.Cir.1989). A determination of infringement requires a two-step analysis. “First, the claim must be properly construed to determine its scope and meaning. Second, the claim as properly construed must be compared to the accused device or process.” Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 1576, 27 USPQ2d 1836, 1839 (Fed.Cir.1993).

Because there is no dispute concerning the structure of the accused device, our infringement analysis involves only claim construction, a question of law which we review *de novo*. See Markman v. Westview Instruments, Inc., 52 F.3d 967, 979-81, 34 USPQ2d 1321, 1329-31 (Fed.Cir.1995) (in banc), *aff’d*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577, 38 USPQ2d 1461 (1996). The proper construction of claims is based upon the claim language, the written description portion of the specification, the prosecution history, and if necessary to aid the court’s understanding of the patent, extrinsic evidence. See *id.* Our present analysis of infringement under the doctrine of equivalents involves prosecution history estoppel, also a question of law which we review *de novo*. See Southwall Techs., Inc. v. Cardinal IG Co., 54 F.3d 1570, 1579, 34 USPQ2d 1673, 1679 (Fed.Cir.1995).

*1477 We agree with Gentry that the term “fixed” requires only that the console be rigidly secured to its two adjacent recliners. The term “fixed” and the explanatory clause “with the console and reclining

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seats together comprising a unitary structure” were added during prosecution to overcome a rejection based on a sectional sofa in which the seats were not rigidly attached. Thus, because the term “console” clearly refers to the complete section between the recliners, the term “fixed” merely requires that the console be rigidly attached to the recliners. Moreover, Berkline’s interpretation of the term “fixed” unnecessarily excludes from the claim Sproule’s preferred embodiment, in which the console can be opened by pivoting its lid. See *Vitronics Corp. v. Conceptoronic, Inc.*, 90 F.3d 1576, 1583, 39 USPO2d 1573, 1578 (Fed.Cir.1996) (noting that a claim interpretation that excludes the preferred embodiment “is rarely, if ever, correct”). Accordingly, as there is no dispute that Berkline’s center seat and recliners form a unitary structure, we conclude that the “fixed” limitation is met by Berkline’s sofas.

[2] However, Berkline’s sofas do not have a “console.” The prosecution history indicates that the term “console” is not met by a sofa section having a seat back that folds down to serve as a table top, as in Brennan’s seat or Berkline’s sofas. As noted by the district court, Sproule’s PTMS distinguished the Brennan reference in the following passage:^{FN*}

FN* Gentry asserts that Sproule distinguished the Brennan reference on several other grounds. Such an observation is not relevant to our analysis of the prosecution history, for even if Brennan was distinguished on multiple grounds, any of those grounds may indicate the proper construction of particular claim terms and provide independent bases for prosecution history estoppel.

Even if one were to apply the disclosure of reclining vehicle seats such as Brennan ... to furniture, one would not produce the pair of reclining seats joined by a center console as taught by [Applicant]. The tray units of Brennan ... while disposed between tandem reclining vehicle seats, are freestanding retractable structures that are not, per se, consoles nor do they join the pair of reclining seats as taught by Applicant. *Rather Brennan shows a complete center seat with a tray unit in its back.*

Gentry I, 30 USPO2d at 1137 (emphasis added). This statement unambiguously indicates that the tray units

in Brennan are not “consoles” as that term is used in the patent, regardless of the term’s ordinary meaning or the way in which Gentry now urges us to interpret it. The relevant feature of Berkline’s sofas, viz., a center seat back that may be folded down to provide a table top between the adjacent recliners, is indistinguishable from the comparable feature in Brennan, a fold-down tray table. In the PTMS, that feature was distinguished from the claimed “console.” Thus, we conclude that Berkline’s sofas do not contain the claimed “console.” See *Ekchian v. Home Depot, Inc.*, 104 F.3d 1299, 1304, 41 USPO2d 1364, 1368 (Fed.Cir.1997) (“[S]ince, by distinguishing the claimed invention over the prior art, an applicant is indicating what the claims do not cover, he is by implication surrendering such protection.”). The claims are therefore not literally infringed. Similarly, the argument advanced in the PTMS precludes recovery under the doctrine of equivalents because of prosecution history estoppel. Arguments made by an applicant in a PTMS can create an estoppel, and thus preclude a finding of infringement under the doctrine of equivalents. See *id.* at 1303-04, 41 USPO2d at 1368 (Fed.Cir.1997) (regarding arguments made by an applicant in an Information Disclosure Statement). Accordingly, we affirm the judgment that Berkline does not infringe the patent.

B. Invalidity

[3] In its cross-appeal, Berkline first argues that all of the claims of the patent are invalid under § 103 as having been obvious, based on the combination of U.S. Patent 4,668,009 (“Talley”), which discloses an armless recliner with a push-button control on its side, and an industry-standard sectional sofa ensemble developed by Kanowsky. Berkline asserts that “[a]nyone who set out to provide a side-by-side recliner configuration as in the ‘244 patent would recognize that all that was required was to replace the inside armless *1478 chair with an armless recliner.” Berkline also argues that the district court clearly erred in finding that “the Talley recliner would be completely inappropriate for use in the sectional arrangement,” *Gentry II*, 939 F.Supp. at 104, and that the invention enjoyed considerable commercial success. Gentry responds that the court properly relied on the testimony of Gentry’s witnesses, including industrial sofa designer Billy Metts, while discounting Berkline’s hindsight reconstruction of the

invention. Based on this evidence, Gentry argues that the court did not err in finding that the combination of Talley and Kanowsky would not have rendered the invention obvious or that there existed a long-felt need for the invention, which became a commercial success.

[4] We agree with Gentry that Berkline has not overcome the statutory presumption of validity, *see* 35 U.S.C. § 282 (1994), by proving facts that clearly and convincingly show that the claimed invention would have been obvious at the time the invention was made. On appeal from a bench trial, we review the legal conclusion of non-obviousness *de novo*, and the factual inquiries underlying that conclusion for clear error. *See B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 1582, 37 USPQ2d 1314, 1317-18 (Fed.Cir.1996).

Contrary to Berkline's argument, the mere possibility that the Talley and Kanowsky references could have been combined is insufficient to demonstrate that the claimed invention would have been obvious because, as noted above, the invention of the patent requires a "fixed console" between the recliners, which neither Talley nor Kanowsky provided. Moreover, even if the claimed invention did only involve the physical insertion of Talley's free-standing recliner into Kanowsky's sectional sofa, such simplicity alone is not determinative of obviousness. *See In re Oetiker*, 977 F.2d 1443, 1447, 24 USPQ2d 1443, 1446 (Fed.Cir.1992) ("Simplicity is not inimical to patentability."). In spite of the apparently facile combination, Metts testified: "[W]e had problems when we tried it ... because ours bumped against the side. It [abutting the sofa units] would open it [the Talley recliner] prematurely." Later, he also admitted that he did not realize that this problem could have been solved by recessing the push-button slightly. Despite Berkline's protestations to the contrary, this "strong, credible testimony," *Gentry II*, 939 F.Supp. at 101, supports the finding that the Talley recliner was considered inappropriate for use in a sectional sofa by those skilled in the art. Accordingly, the court did not clearly err in finding that Talley would not have bridged the gap between Kanowsky and the claimed invention. Therefore, even leaving aside the district court's analyses of long felt need and commercial success, which can only further support nonobviousness, *see Medtronic, Inc. v. Intermedics, Inc.*, 799 F.2d 734, 739 & n. 13, 230 USPQ 641, 643

& n. 13 (Fed.Cir.1986) (stating that "the absence of objective evidence [of long felt need and commercial success] is a neutral factor"), we conclude that Berkline has not proven that the invention would have been obvious at the time it was made.

[5] Berkline also argues that claims 1-8, 11, and 16-18 are invalid because they are directed to sectional sofas in which the location of the recliner controls is not limited to the console. According to Berkline, because the patent only describes sofas having controls on the console and an object of the invention is to provide a sectional sofa "with a console ... that accommodates the controls for both the reclining seats," 244 patent, col. 1, ll. 35-37, the claimed sofas are not described within the meaning of § 112, ¶ 1. Berkline also relies on Sproule's testimony that "locating the controls on the console is definitely the way we solved it [the problem of building sectional sofa with parallel recliners] on the original group [of sofas]." Gentry responds that the disclosure represents only Sproule's preferred embodiment, in which the controls are on the console, and therefore supports claims directed to a sofa in which the controls may be located elsewhere. Gentry relies on *Ethicon Endo-Surgery, Inc. v. United States Surgical Corp.*, 93 F.3d 1572, 1582 n. 7, 40 USPQ2d 1019, 1027 n. 7 (Fed.Cir.1996), and *In re Rasmussen*, 650 F.2d 1212, 1214, 211 USPQ 323, 326 (CCPA 1981), for the proposition that an *1479 applicant need not describe more than one embodiment of a broad claim to adequately support that claim.

[6][7][8] We agree with Berkline that the patent's disclosure does not support claims in which the location of the recliner controls is other than on the console. Whether a specification complies with the written description requirement of § 112, ¶ 1, is a question of fact, which we review for clear error on appeal from a bench trial. *See Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563, 19 USPQ2d 1111, 1116 (Fed.Cir.1991). To fulfill the written description requirement, the patent specification "must clearly allow persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed." *In re Gosteli*, 872 F.2d 1008, 1012, 10 USPQ2d 1614, 1618 (Fed.Cir.1989). An applicant complies with the written description requirement "by describing the invention, with all its claimed limitations." *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565, 1572, 41 USPQ2d 1961, 1966 (1997).

It is a truism that a claim need not be limited to a preferred embodiment. However, in a given case, the scope of the right to exclude may be limited by a narrow disclosure. For example, as we have recently held, a disclosure of a television set with a keypad, connected to a central computer with a video disk player did not support claims directed to "an individual terminal containing a video disk player." See *id.* (stating that claims directed to a "distinct invention from that disclosed in the specification" do not satisfy the written description requirement); see also Regents of the Univ. of Cal. v. Eli Lilly & Co., 119 F.3d 1559, 1568, 43 USPO2d 1398, 1405 (Fed.Cir.1997) (stating that the case law does "not compel the conclusion that a description of a species always constitutes a description of a genus of which it is a part").

In this case, the original disclosure clearly identifies the console as the only possible location for the controls. It provides for only the most minor variation in the location of the controls, noting that the control "may be mounted on top or side surfaces of the console rather than on the front wall ... without departing from this invention."²⁴⁴ patent, col. 2, line 68 to col. 3, line 3. No similar variation beyond the console is even suggested. Additionally, the only discernible purpose for the console is to house the controls. As the disclosure states, identifying the only purpose relevant to the console, "[a]nother object of the present invention is to provide ... a console positioned between [the reclining seats] that accommodates the controls for both of the reclining seats." *Id.* at col. 1, ll. 33-37. Thus, locating the controls anywhere but on the console is outside the stated purpose of the invention. Moreover, consistent with this disclosure, Sproule's broadest original claim was directed to a sofa comprising, *inter alia*, "control means located upon the center console to enable each of the pair of reclining seats to move separately between the reclined and upright positions." Finally, although not dispositive, because one can add claims to a pending application directed to adequately described subject matter, Sproule admitted at trial that he did not consider placing the controls outside the console until he became aware that some of Gentry's competitors were so locating the recliner controls. Accordingly, when viewed in its entirety, the disclosure is limited to sofas in which the recliner control is located on the console.

Gentry's reliance on *Ethicon* is misplaced. It is true, as Gentry observes, that we noted that "an applicant ... is generally allowed claims, when the art permits, which cover more than the specific embodiment shown." Ethicon, 93 F.3d at 1582 n. 7, 40 USPO2d at 1027 n. 7 (quoting In re Vickers, 141 F.2d 522, 525, 61 USPO2d 122, 125 (CCPA 1944)). However, we were also careful to point out in that opinion that the applicant "was free to draft claim[s] broadly (within the limits imposed by the prior art) to exclude the lockout's exact location as a limitation of the claimed invention" only because he "did not consider the precise location of the lockout to be an element of his invention." *Id.* Here, as indicated above, it is clear that Sproule considered the location of the recliner controls on the console to be an essential element of his invention. Accordingly, his original disclosure serves to limit the permissible breadth of his later-drafted claims.

*1480 Similarly, *In re Rasmussen* does not support Gentry's position. In that case, our predecessor court restated the uncontroversial proposition that "a claim may be broader than the specific embodiment disclosed in a specification." 650 F.2d at 1215, 211 USPO at 326. However, the court also made clear that "[a]n applicant is entitled to claims as broad as the prior art and his disclosure will allow." *Id.* at 1214, 650 F.2d 1212, 211 USPO at 326 (emphasis added). The claims at issue in *Rasmussen*, which were limited to the generic step of "adheringly applying" one layer to an adjacent layer, satisfied the written description requirement only because "one skilled in the art who read [the] specification would understand that it is unimportant how the layers are adhered, so long as they are adhered." Here, on the contrary, one skilled in the art would clearly understand that it was not only important, but essential to Sproule's invention, for the controls to be on the console.

[9] In sum, the cases on which Gentry relies do not stand for the proposition that an applicant can broaden his claims to the extent that they are effectively bounded only by the prior art. Rather, they make clear that claims may be no broader than the supporting disclosure, and therefore that a narrow disclosure will limit claim breadth. Here, Sproule's disclosure unambiguously limited the location of the controls to the console. Accordingly, the district court

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clearly erred in finding that he was entitled to claims in which the recliner controls are not located on the console. We therefore reverse the judgment that claims 1-8, 11, and 16-18, were not shown to be invalid.

C. Attorney Fees

[10] Finally, Gentry argues that its success in overcoming Berkline's accusations of inequitable conduct entitles it to a partial award of attorney fees under 35 U.S.C. § 285 (1994) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."). Thus, Gentry asserts that the district court abused its discretion in refusing to consider an appropriate award of attorney fees. We do not agree.

[11] The requirements for awarding attorney fees under section 285 are that "(1) the case must be exceptional, (2) the district court may exercise its discretion, (3) the fees must be reasonable, and (4) the fees may be awarded only to the prevailing party." Machinery Corp. of Am. v. Gullfiber AB, 774 F.2d 467, 470, 227 USPO 368, 371 (Fed.Cir.1985). Gentry's argument fails because it ignores the fourth criterion. Gentry is not "the prevailing party." When a plaintiff succeeds only in overcoming a defense raised to the claims it sought in bringing suit, the plaintiff is not "the prevailing party." Rather, to prevail within the meaning of section 285, Gentry must have achieved some of "the benefits ... sought in bringing suit," i.e., damages or an injunction. Hensley v. Eckerhart, 461 U.S. 424, 433 & n. 7, 103 S.Ct. 1933, 1939 & n. 7, 76 L.Ed.2d 40 (1983) ("[P]laintiffs may be considered 'prevailing parties' for attorney's fees purposes if they succeed on any significant issue in litigation which achieves some of the benefit the parties sought in bringing suit."); see also Farrar v. Hobby, 506 U.S. 103, 111-12, 113 S.Ct. 566, 572-73, 121 L.Ed.2d 494 (1992) ("In short, a plaintiff 'prevails' when actual relief on the merits of his claim materially alters the legal relationship between the parties by modifying the defendants' behavior in a way that directly benefits the plaintiff."); cf. Manildra Milling Corp. v. Ogilvie Mills, Inc., 76 F.3d 1178, 1183, 37 USPO2d 1707, 1711 (Fed.Cir.1996) ("[A]s a matter of law, a party who has a competitor's patent declared invalid meets the definition of 'prevailing party.'"). Because Gentry was not "the prevailing party," we find no

error in the district court's decision not to award attorney fees under section 285.

CONCLUSION

The district court's judgment holding that Berkline does not infringe the '244 patent, that the patent claims are not invalid under § 103 as obvious, and that Gentry is not entitled to attorney fees is affirmed. However, because the district court clearly erred in finding that the disclosure of the '244 patent describes a sectional sofa in which the location of the recliner controls is not limited to the console, we reverse the decision that *1481 claims 1-8, 11, and 16-18 were not shown to be invalid under § 112, ¶ 1.

COSTS

No costs.

AFFIRMED-IN-PART and *REVERSED-IN-PART*.

C.A.Fed. (Mass.), 1998.
 Gentry Gallery, Inc. v. Berkline Corp.
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END OF DOCUMENT

Exhibit B

330 F.Supp.2d 679
 330 F.Supp.2d 679, 2004-2 Trade Cases P 74,558
 (Cite as: 330 F.Supp.2d 679)

HRambus, Inc. v. Infineon Technologies AG
 E.D.Va.,2004.

United States District Court,E.D. Virginia,
 Richmond Division.
 RAMBUS, INC., Plaintiff,
 v.
 INFINEON TECHNOLOGIES AG, et al.,
 Defendants.
 No. 3:00CV524.

Aug. 12, 2004.

Background: Designer of computer memory systems sued manufacturer for patent infringement, and manufacturer counterclaimed for fraud. The District Court, Payne, J., 164 F.Supp.2d 743, granted partial judgment as matter of law (JMOL) in favor of designer on fraud claim, and, on appeal, the Court of Appeals, Rader, Circuit Judge, 318 F.3d 1081, vacated and remanded. On remand, designer filed motion in limine to exclude evidence or argument that its amendment of patent claims was based on stolen ideas, or was otherwise wrongful or illegal.

Holding: The District Court, Payne, J., held that exclusion of evidence or argument that patent holder's amendment of patent claims was based on stolen ideas was not warranted.

Motion denied.

West Headnotes

[1] Patents 291 ↪97

291 Patents
291IV Applications and Proceedings Thereon
291k97 k. Patent Office and Proceedings Therein in General. Most Cited Cases
 "Inequitable conduct" before the Patent and Trademark Office (PTO) that may render a patent unenforceable requires a failure to disclose material information to the PTO or the submission of false information to the PTO, done with an intent to deceive the PTO. 35 U.S.C.A. § 282(1).

[2] Patents 291 ↪99

291 Patents
291IV Applications and Proceedings Thereon
291k99 k. Description of Invention in Specification. Most Cited Cases

Patents 291 ↪109

291 Patents
291IV Applications and Proceedings Thereon
291k109 k. Amendment of Application. Most Cited Cases

To satisfy requirement that patent specification must contain written description of invention, any claims contained in subsequently filed amendments, continuation, or divisional applications must be supported by the original specification. 35 U.S.C.A. § 112.

[3] Patents 291 ↪99

291 Patents
291IV Applications and Proceedings Thereon
291k99 k. Description of Invention in Specification. Most Cited Cases

Under statute requiring that patent specification contain written description of invention, the patent specification must convey with reasonable clarity to those skilled in the art that, as of the filing date, the patent holder was in possession of the invention now claimed in the patent. 35 U.S.C.A. § 112.

[4] Patents 291 ↪109

291 Patents
291IV Applications and Proceedings Thereon
291k109 k. Amendment of Application. Most Cited Cases

Any amendment to a patent application must not contain any "new matter," that is, matter that describes a different invention or adds to or changes the nature of the invention disclosed in the specification. 35 U.S.C.A. § 132(a).

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[5] Antitrust and Trade Regulation 29T ↪975

29T Antitrust and Trade Regulation
29TXVII Antitrust Actions, Proceedings, and Enforcement

29TXVII(B) Actions
29Tk973 Evidence
29Tk975 k. Admissibility. Most Cited

Cases

(Formerly 265k28(7.3))

Antitrust and Trade Regulation 29T ↪979

29T Antitrust and Trade Regulation
29TXVII Antitrust Actions, Proceedings, and Enforcement

29TXVII(B) Actions
29Tk978 Trial, Hearing and Determination
29Tk979 k. In General. Most Cited

Cases

(Formerly 265k28(7.3))

Exclusion of evidence or argument that patent holder's amendment of patent claims was based on stolen ideas was not warranted with respect to alleged infringer's counterclaim for monopolization and unfair business practices, although patent system itself provided mechanism to confine patent applicants to structures of lawful conduct in prosecuting patents and to prevent outright stealing or misappropriation of inventions, where prohibiting jury from considering unlawful methods of obtaining later-added claims would give unscrupulous persons an incentive to violate civil and criminal laws knowing that such behavior would yield financial success by way of a valid patent, and jury could find that holder's conduct amounted to monopolization and an unfair business practice. Sherman Act, § 2, as amended, 15 U.S.C.A. § 2; 35 U.S.C.A. §§ 112, 120, 121, 132; West's Ann.Cal.Bus. & Prof.Code § 17200.

[6] Antitrust and Trade Regulation 29T ↪620

29T Antitrust and Trade Regulation
29TVII Monopolization

29TVII(A) In General
29Tk619 Elements in General
29Tk620 k. In General. Most Cited

Cases

(Formerly 265k12(1.3))

Antitrust and Trade Regulation 29T ↪641

29T Antitrust and Trade Regulation

29TVII Monopolization

29TVII(C) Market Power; Market Share
29Tk641 k. In General. Most Cited Cases

(Formerly 265k12(1.3))

The offense of monopoly has two principal elements: (1) the possession of monopoly power in the relevant market, and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident. Sherman Act, § 2, as amended, 15 U.S.C.A. § 2.

[7] Antitrust and Trade Regulation 29T ↪535

29T Antitrust and Trade Regulation

29TVI Antitrust Regulation in General

29TVI(A) In General

29Tk532 Judicially Created Tests of

Legality

29Tk535 k. Rule of Reason. Most Cited

Cases

(Formerly 265k12(1.10))

The "rule of reason" requires the finder of fact to weigh the anticompetitive effects of the at-issue conduct against the procompetitive effects the conduct might have had; stated otherwise, it requires the fact finder to determine whether the challenged conduct, on balance, promotes or suppresses competition.

[8] Patents 29I ↪1

29I Patents

29II Subjects of Patents

29Ik1 k. Nature of Patent Rights. Most Cited

Cases

The patent statutes and the decisional law implementing them do not exist or operate in isolation; rather, they are a part of the legal fabric of a society that imposes on its citizens, individual and corporate, other legal constraints that cannot be rendered meaningless or marginalized by the distorted application of a principle of patent law that, and, indeed, the patent laws must coexist with the other statutes that control the conduct of commerce.

Patents 29I ↪328(2)

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291 Patents

291XIII Decisions on the Validity, Construction, and Infringement of Particular Patents

291k328 Patents Enumerated

291k328(2) k. Original Utility. Most Cited

Cases

4,533,843, 5,622,912, 5,953,263, 5,954,804, 6,032,214, 6,034,918. Cited.

***681** Michael W. Smith, Esquire, Craig T. Merritt, Esquire, R. Braxton Hill, Esquire, Christian & Barton, L.L.P., Richmond, VA, Gregory P. Stone, Esquire, Peter A. Detre, Esquire, Munger, Tolles & Olson LLP, Los Angeles, CA, for Plaintiff. Brian C. Riopelle, Esquire, Robert M. Tyler, Esquire, McGuire Woods, LLP, Richmond, VA, John M. Desmarais, Esquire, Gregory S. Arovos, Esquire, Michael P. Stadnick, Esquire, Kirkland & Ellis, New York City, for Defendants.

MEMORANDUM OPINION

PAYNE, District Judge.

This matter is before the Court on Rambus, Inc.'s ("Rambus") Motion *in Limine* No. 2, to Exclude Evidence or Argument that Plaintiff's Amendment of Patent Claims was Based on Stolen Ideas or was Otherwise Wrongful or Illegal (Docket No. 576). The Defendants are Infineon Technologies AG, Infineon Technologies North America Corporation, and Infineon Technologies Holding North America, Incorporated (hereinafter collectively "Infineon"). By way of this motion *in limine*, Rambus asks the Court to preclude Infineon from introducing evidence or presenting argument that Rambus' amendment of its patent claims was based on ideas acquired from documents produced and discussions conducted during the process of the development of an industry standard by a standard-setting organization, the Joint Electronics Devices Engineering Council ("JEDEC"). Infineon offers that conduct as one component of its proof to show that Rambus violated the federal antitrust law, 15 U.S.C. § 2, and the California unfair trade practice statute, Cal. Bus. & Prof. Code § 17200. Relying on the decision of the United States Court of Appeals for the Federal Circuit in Kingsdown Med. Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867 (Fed.Cir.1988), and its progeny, Rambus asserts that Infineon is entirely foreclosed from offering such evidence or making any such arguments.^{FN1} For the

reasons explained below, the motion *in limine* will be denied.

^{FN1} Quite obviously, if the evidence is not admissible, Infineon cannot present argument about it. Hence, the real issue is whether the evidence is admissible.

STATEMENT OF FACTS

Founded in March 1990, Rambus develops, secures patents on, and licenses technologies to companies that manufacture semiconductor memory devices. Rambus is not a manufacturing company and thus it relies on the licensing of its patent portfolio for revenue.

***682** In 1990, Rambus filed United States Patent Application Serial Number 07/510,898 (the "898 application") with claims directed to dynamic random access memory, or "DRAM" technology. The United States Patent and Trademark Office ("PTO") determined that the application covered several independent inventions. Consequently, the PTO issued an eleven-way restriction requiring Rambus to elect one invention to pursue in its application. In response, Rambus filed numerous divisional and continuation applications assertedly based on its original application. Thereafter, Rambus was awarded numerous DRAM patents. According to Rambus, these patents are directed to several DRAM-related technologies: Rambus DRAM ("RDRAM"), Synchronous Dynamic Random Access Memory ("SDRAM"), and Double Data Rate Synchronous Dynamic Random Access Memory ("DDR-SDRAM").^{FN2} Among those patents are the four patents-in-suit: United States Patent Nos. 5,954,804 (the "'804 patent'"), 6,034,918 (the "'918 patent'"), 5,953,263 (the "'263 patent'"), and 6,032,214 (the "'214 patent'").^{FN3} These patents were issued in 1999 and 2000.

^{FN2} These technologies are described in some detail at Rambus, Inc. v. Infineon Tech. AG, 318 F.3d 1081, 1085 (Fed.Cir.2003). See also Rambus, Inc. v. Infineon Tech. AG, 164 F.Supp.2d 743, 747-48 (E.D.Va.2001). Broadly, a DRAM is a high-speed, short-term memory device where information being used by the central processing unit of a computer is temporarily

stored.

FN3. As a result of the 2001 trial of this matter, as well as a motion for summary judgment of noninfringement on remand, the '804 patent and the '214 patent are no longer in play and will not be at issue at the upcoming trial.

In August 2000, Rambus filed a complaint against Infineon, alleging infringement of all four of those patents. Before trial, the Court issued a Memorandum Opinion pursuant to Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed.Cir.1995) (en banc), aff'd 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996), construing the disputed claim terms of the patents-in-suit. Thereafter, Rambus abandoned, before trial, the charge of infringement as to the '804 patent.

Thus, at trial, Rambus proceeded against Infineon as to the '263 patent, the '214 patent, and the '918 patent. During the trial, however, judgment as a matter of law ("JMOL") was granted in Infineon's favor respecting the alleged infringement of those patents. Consequently, a number of Infineon's affirmative defenses and counterclaims were no longer relevant, and therefore, some were abandoned, and others were dismissed without prejudice.

Among the counterclaims that went to verdict were those for actual and constructive fraud. The fraud claims were predicated, in part, on the theory that Rambus had violated certain patent disclosure policies of JEDEC ^{FN4} during the process by which JEDEC was establishing an industry standard for SDRAMs and later DDR-SDRAMs. As part of the evidence offered in connection with its fraud claims, Infineon introduced evidence that Rambus attended the JEDEC meetings first to try to get its RDRAM technology adopted as an industry standard and later for the purpose of learning about the proposed DRAM standards being developed there and then using that information to amend its pending patent applications and to file continuation and divisional applications intended to produce patents that, when issued, would encompass any technology made in compliance with the JEDEC *683 SDRAM and DDR-SDRAMs standards. In other words, at trial, Infineon offered evidence that Rambus clandestinely used information that it had acquired at, and in

connection with, JEDEC meetings to guide its patent prosecution so as to capture products made pursuant to the JEDEC standard and deliberately waited until after the DRAM industry had become "locked in" to producing products that complied with the JEDEC SDRAM and DDR-SDRAM standards to announce that the patents it had thusly procured covered the JEDEC standards.^{FN5}

FN4. JEDEC is affiliated with the Electronics Industries Association ("EIA"). Rambus, Inc. v. Infineon Tech. AG, 318 F.3d 1081, 1086 (Fed.Cir.2003).

FN5. That same evidence was offered as part of Infineon's monopolization counterclaim that, for reasons not here pertinent, was dismissed without prejudice after JMOL was granted on the claims of Rambus that Infineon had infringed the patents-in-suit. That counterclaim is now back in the case on remand.

During closing arguments, Infineon's counsel argued, *inter alia*: "If they had invented it, it would have been in the patent in the first place, but they didn't. They stole it. They stole it from the industry standards bodies." ^{FN6} Counsel further argued: "They [Rambus] go to ... [JEDEC] meetings, they see the presentations They go meet with their patent lawyer, they start amending the claims." ^{FN7} And: "Did Rambus attend standards bodies meetings and change their patents to cover what they saw at the standards meetings? You can't reach any other conclusion." ^{FN8}

FN6. Trial Transcript, Vol. VIII, Rambus, Inc. v. Infineon Tech. AG, No. 3:00CV524, May 8, 2001, at 161.

FN7. *Id.* at 74.

FN8. *Id.* at 93.

To rebut this evidence and defuse this line of argument, Rambus proffered a jury instruction based on Kingsdown Med. Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867 (Fed.Cir.1988). In particular, Rambus offered an instruction based on the following language from that case:

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It should be made clear ... that there is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market; nor is it in any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution.

Kingsdown, 863 F.2d at 874.

Finding that the instruction was neither accurate nor complete as respected the facts in evidence, the Court declined to give the jury instruction as tendered. Instead, the Court offered to give an instruction based on Kingsdown that made it apparent that, although it is not *per se* improper to amend patent claims in order to cover a competitor's product, it is not proper to violate the law in the course of obtaining the information that facilitates the amended filings. Specifically, the alternate instruction read as follows:

It is not improper to amend or add patent claims intended to cover a competitor's product about which the applicant has learned during the prosecution of the patent application, including a continuation or divisional patent application, provided that the claims are supported by the original patent application ... [and] provided that the added or amended claims are not based on information obtained by engaging in wrongful conduct.

Rambus, Inc. v. Infineon Tech. AG, 164 F.Supp.2d 743, 774 (E.D.Va.2001). Rambus, however, declined the Court's offer to give this alternate instruction. *Id.*

Ultimately, the jury found Rambus liable on Infineon's counterclaim for actual and constructive fraud. The Court granted*684 Rambus' post-trial motion for JMOL as to the constructive fraud claim and as to that part of the actual fraud verdict that related to the DDR-SDRAM standard of JEDEC. Rambus, Inc., 164 F.Supp.2d at 767. Rambus' post-verdict motion for JMOL on the fraud verdict as it related to the SDRAM standard was denied and judgment was entered on that verdict.

On appeal, the United States Court of Appeals for the Federal Circuit affirmed in part and reversed in part.

Rambus, Inc. v. Infineon Tech. AG, 318 F.3d 1081, 1106 (Fed.Cir.2003). Respecting the fraud verdict, the court held that the JEDEC patent disclosure policy applied only to patent claims that reasonably read on or covered the standard under consideration by JEDEC and that, although Rambus wanted to obtain claims covering SDRAM standards, it did not in fact obtain any SDRAM patent claims while it was a member of JEDEC. Rambus, Inc., 318 F.3d at 1103-04. In reaching this conclusion, the Federal Circuit stated:

The record shows that Rambus's claimed technology did not fall within the JEDEC disclosure duty. The record shows at most that Rambus wanted to obtain claims covering the SDRAM instead. Some of that evidence does not put Rambus in the best light. Rambus thought it could cover the SDRAM standard and tried to do so while a member of an open standards-setting committee. While such actions impeach Rambus's business ethics, the record does not contain substantial evidence that Rambus breached its duty under the ELA/JEDEC policy.

Id. at 1104. The Federal Circuit thereafter set aside the fraud verdict, reversed this Court's construction of five of the disputed claim terms contained in the patents-in-suit, and remanded the case for further proceedings.

The motion *in limine* under consideration is predicated on the fact that, in its Second Amended Answer and Counterclaims ("SAC"), filed after the remand, Infineon again alleges that Rambus improperly acquired the information that it used in amending its applications to secure the patents-in-suit and that the acquisition of that information was a part of Rambus' monopolistic conduct and unfair business practices. For instance, Infineon alleges that:

Rambus utilized its participation in the JEDEC SDRAM standardization process to learn the direction of the SDRAM standardization, and to learn about the next generation DRAM called DDR-SDRAM. Unbeknownst to JEDEC and its members, Rambus then used that confidential information to amend its existing patent portfolio and to file new patent applications, which were divisions or continuations of its existing pending applications. This allowed Rambus to draft new claims that if interpreted as contended by Rambus covered the very

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SDRAM standards Rambus was helping JEDEC to standardize, and to cover the next generation DDR-SDRAM chips as well.

SAC, at 30 ¶ 94. The SAC states further: Rambus was slowly, secretly seeking to acquire an illegal monopoly by: secretly incorporating in its patent applications what it was learning at JEDEC meetings thereby building a patent portfolio to cover JEDEC's SDRAM and later DDR-SDRAM standards.

SAC, at 44 ¶ 146. In other words, Infineon continues to allege (and, notably, the evidence of record, if credited by a jury, herein would support a finding) that, after Rambus' efforts to have JEDEC adopt its RDRAM as the industry standard were unsuccessful, Rambus attended JEDEC meetings for the purpose of learning the standards that were to be adopted by the *685 DRAM industry and then steered its patent prosecution in such a way as to encompass products made in compliance with those standards. As proffered by Infineon, these contentions are pertinent to Infineon's counterclaim for monopolization, 15 U.S.C. § 2, as well as its counterclaim for unfair business practices under Cal. Bus. & Prof.Code § 17200. They also are relevant to some of Infineon's defenses.

Now, however, that the Federal Circuit has rejected the finding of fraud on the part of Rambus at JEDEC, Rambus argues that Infineon has no basis for arguing that Rambus' amendment of its patent claims was improper, wrongful, or illegal, whether standing alone or as part of Rambus' other conduct. In other words, by way of its Motion *in Limine* No. 2, Rambus argues that, now that fraud, on which this Court previously distinguished *Kingsdown*^{FN9} and its application to this case is no longer in play, Infineon should be precluded from offering evidence that Rambus acquired, during the JEDEC standard-setting process, the information that it used to acquire its patents and to acquire monopoly power and to violate the unfair business practices law. Rambus also asks that Infineon's counsel be precluded from arguing that Rambus stole the ideas that it used to acquire the patents-in-suit. In sum, says Rambus, any such argument or evidence would run afoul of the rule announced in *Kingsdown* (as interpreted by Rambus) and would undermine seriously Rambus' right to a fair trial. For the reasons stated below, Rambus'

motion *in limine* will be denied.

FN9. In a post-trial Memorandum Opinion rejecting Rambus' contention that the failure to give its proffered *Kingsdown* instruction was in error, the Court analyzed *Kingsdown* generally and compared Rambus' proposed instruction with the instruction that the Court had offered to give:

[T]he distinction offered in the Court's proffered version of the instruction is analogous to the exception mentioned in *Kingsdown*: "[a]ny such amendment or insertion must comply with all statutes and regulations." *Kingsdown*, 863 F.2d at 874. That text teaches that the instruction permitted by *Kingsdown* cannot be based on information obtained by engaging in wrongful conduct because that conduct is in violation of the law of fraud... Even though Rambus is allowed, at some general level, to draft claims to cover a competitor's product, it cannot do so when that action would breach a duty it incurred as result of being a member of a standard-setting body. The breach of that duty was based on a failure to disclose pending patent applications, not on Rambus' choice to amend its patents.

Rambus, Inc. v. Infineon Tech. AG, 164 F.Supp.2d 743, 775 (E.D.Va.2001). That discussion reflected the fact that, at trial, the instruction offered by Rambus pertained only to the fraud claim. Infineon's monopolization claim had been dismissed without prejudice because JMOL had been granted on Rambus' patent infringement claims. See Unpublished Memorandum Opinion, *Rambus, Inc. v. Infineon Tech. AG*, 3:00CV524, at 4-6 (E.D.Va. July 21, 2004) (Docket No. 813). The monopolization claim is once again part of the case and, due to amendments on remand, so is a unfair business practices claim under California law. *Rambus, Inc. v. Infineon Tech. AG*, 304 F.Supp.2d 812 (E.D.Va.2004).

DISCUSSION

An understanding of *Kingsdown*, as well as its progeny, is necessary to resolution of Rambus' motion. Thus, the analysis of the motion will begin with an analysis of *Kingsdown*, as well as the four subsequent decisions of the Federal Circuit in which the at-issue portion of the *Kingsdown* decision has been applied.

I. The Decision in *Kingsdown*

Kingsdown Medical Consultants ("KMC") filed a patent infringement action against Hollister, Inc. ("Hollister"), alleging that Hollister had infringed KMC's patents that covered a two-piece colostomy appliance. KMC filed its original application with the PTO in 1978. Over the next *686 six years, a complex prosecution ensued, involving multiple submissions, rejections, amendments, and continuation applications.

At some point during this six year prosecution, KMC's patent attorney saw, apparently in the marketplace,^{FN10} a two-piece colostomy device manufactured by Hollister, a competitor in the market. Thereafter, KMC filed a continuation application. In filing this continuation application, KMC submitted a two-column list, one column listing the claim numbers of twenty-two previously allowed claims and the other column listing the claim numbers of twenty-one new claims in the continuation application that corresponded to those previously allowed claims. In filing this list, however, KMC indicated, incorrectly, that claim 43 in the continuation application corresponded to claim 50 in the parent application (claim 50 in the parent application had already been allowed by the PTO). In reality, claim 43 in the continuation application corresponded to another claim that the PTO previously had rejected for indefiniteness. The PTO did not notice this error; and, eventually, a patent issued as a result of the continuation application. Thereafter, KMC sued Hollister for infringing this patent.

^{FN10}. The opinion does not specify where the competitor's product was seen. Rather, it says only that the "attorney saw [the competitor's product]." *Kingsdown*, 863 F.2d at 870. Later, however, the opinion

refers to "its genesis in the marketplace." *Id.* at 874.

[1] As a defense to KMC's infringement case, Hollister raised the defense of inequitable conduct in the PTO.^{FN11} And, the district court found that, by representing that claim 43 in the continuation application corresponded to allowable claim 50 in the parent application, KMC had provided false information to the PTO. The district court further found that KMC had submitted this information with the requisite deceitful intent, in part, because KMC's lawyer had viewed the Hollister device before filing the continuation application.

^{FN11}. Inequitable conduct in the PTO requires (1) a failure to disclose material information to the PTO or the submission of false information to the PTO, done with (2) an intent to deceive the PTO. *J.P. Stevens & Co., Inc. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed.Cir.1984). Pursuant to a motion for summary judgment filed by Rambus, the Court, by way of Memorandum Opinion entered on July 21, 2004, dismissed Infineon's defenses of invalidity and unenforceability of the patents-in-suit for inequitable conduct in the PTO.

On appeal, the Federal Circuit reversed, in part, because it rejected the district court's finding of deceitful intent. In so doing, the Court of Appeals stated:

It should be made clear ... that there is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market; nor is it in any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution. Any such amendment or insertion must comply with all statutes and regulations, of course, but, if it does, its genesis in the marketplace is simply irrelevant and cannot of itself evidence deceitful intent.

Kingsdown, 863 F.2d at 874 (citing *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226 (Fed.Cir.1985)).^{FN12} The *Kingsdown**687 decision, therefore, stands for the proposition that filing claims

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with the PTO in order to cover a competitor's product, standing alone, is not a sufficient basis for finding deceitful intent.

FN12. Although not cited by the Federal Circuit in *Kingsdown*, several district courts previously had made similar statements. See *Micro-Acoustics Corp. v. Bose Corp.*, 493 F.Supp. 356, 367 (S.D.N.Y.1980) ("There is nothing wrong with broadening the claims to cover competitive devices about which the applicant ... learns after the application is filed, so long as the claims are supported by the specification."); *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F.Supp. 948, 954-55 (S.D.Fla.1972) ("There is nothing inherently wrong or dishonest in amending claims in a pending application during the course of prosecution before the United States Patent Office in order to insure that the claims which ultimately appear in the issued patent will cover the commercial activity of third parties, whose potentially infringing activities are discovered subsequent to the filing of a patent application, so long as the claims are supported by the original patent application disclosure.").

II. Federal Circuit Decisions Subsequent to *Kingsdown*

After 1988, the Federal Circuit has returned on four occasions to the part of *Kingsdown* that is at issue here. First, a year after *Kingsdown*, the court decided *Texas Instruments, Inc. v. United States Int'l Trade Comm'n.* 871 F.2d 1054 (Fed.Cir.1989). Texas Instruments, Inc. ("TII") filed an administrative complaint with the United States International Trade Commission ("ITC") against Samsung Company, Ltd. ("Samsung") for importing into the United States various products which TII alleged to infringe certain of its patents. After a hearing, the administrative law judge ("ALJ") decided, among other things, that certain Samsung products did not infringe United States Patent No. 4,533,843 (the "'843 patent"). Subsequently, a full commission of the ITC affirmed this ruling. It was this full commission ruling that the parties appealed to the Federal Circuit.

The finding of non-infringement respecting the '843

patent largely obtained because of the ALJ's interpretation of the claim term "selected voltage." In reviewing the ALJ's decision, the Federal Circuit recounted somewhat the prosecution history of the '843 patent, specifically, the insertion of the claim term "selected voltage" by TII during the patent prosecution.

In TII's original patent application, TII did not employ the term "selected voltage," but rather the term "said voltage." *Texas Instruments, Inc.*, 871 F.2d at 1064. After, however, TII filed the original application, MOSTEK Electronics ("MOSTEK") began manufacturing a competing product similar to that claimed by TII in its application. Thereafter, seeking broader claim coverage that would reach MOSTEK's competing product, TII filed a continuation application that substituted the words "selected voltage" for "said voltage." In so doing, TII informed the patent examiner that the original specification disclosed this newly claimed technology. Indeed, thereafter, the examiner did not object to the claims as interjecting "new matter" and issued eventually the '843 patent. *Texas Instruments, Inc.*, 871 F.2d at 1065; see also 35 U.S.C. § 132 ("No amendment shall introduce *new matter* into the disclosure of the invention.") (emphasis added).

The ALJ ruled that, in amending its claims, TII had in fact added "new matter" not supported by the original specification. The ALJ, however, preserved the validity of the claim by construing the amendment which changed "said voltage" to "selected voltage" as limited to a smaller subset of the claimed technology. *Texas Instruments, Inc.*, 871 F.2d at 1065. The Federal Circuit reversed the ALJ's decision, ruling that, although claims, whenever possible, should be read so as to preserve their validity, the ALJ, in imposing a preserving construction on TII's claim, impermissibly had rewritten the claim in order to add a limitation that the patentee had not included. *Id.* ("It was not permissible for the ALJ, in order to preserve the validity of the claims, to rewrite them to add a limitation that the *688 patentee had eliminated ... and then to hold that the challenged devices ... did not infringe the rewritten claims.").

However, before making that ruling (which is the holding in the case respecting the '843 patent), the Federal Circuit explained TII's conduct and the

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prosecution history of the '843 patent and then observed:

Here Texas Instruments broadened the claim during prosecution to cover the competing MOSTEK [product]. It is not "improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application."

Id. (quoting *Kingsdown*, 863 F.2d at 874). It is not entirely clear why that statement was made because, at least as respects the '843 patent, the discussion of which contains the foregoing text,^{FN13} TI's conduct in obtaining the patent was not challenged as wrongful. Nonetheless, in *Texas Instruments, Inc.*, albeit in dictum, the Federal Circuit reiterated the *Kingsdown* language here at issue and indicated again, as a broad proposition relating to patent law, that there is nothing inherently improper in amending patent claims in order to cover competitors' products.

FN13. *Texas Instruments, Inc.* involved many patents and patent claims and implicated many legal doctrines; the statement quoted above, however, pertains to no other issue in the case.

The Federal Circuit next returned to the at-issue *Kingsdown* language in *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473 (Fed.Cir.1998), wherein Multiform Desiccants, Inc. ("Multiform") added certain language to its claims during the patent prosecution of the patent-in-suit. Subsequently, in defending against Multiform's claims of patent infringement, Medzam, Ltd. ("Medzam") uncovered evidence supportive of a finding that Multiform had added that language to its claims specifically in order to cover Medzam products of which Multiform had learned during the pendency of its patent application.

The district court entered judgment of non-infringement, finding that Medzam's product did not infringe Multiform's patent. The district court, however, refused to grant Medzam's request for attorneys fees under 35 U.S.C. § 285, in part, because it rejected Medzam's argument that Multiform acted in bad faith by adding a claim to try to cover Medzam's accused product. 133 F.3d at 1475.^{FN14} Multiform appealed the finding of non-infringement, and Medzam cross-appealed, *inter alia*, the trial

court's denial of attorneys fees.

FN14. Under 35 U.S.C. § 285, a "court in exceptional cases may award reasonable attorney fees to the prevailing party" in a patent infringement suit.

On appeal, the Federal Circuit upheld the district court's finding that Medzam's accused product did not infringe Multiform's patent, either literally or under the doctrine of equivalents. *Multiform Desiccants, Inc.*, 133 F.3d at 1480-81. The Court of Appeals also upheld the district court's refusal to grant attorneys fees in Medzam's favor. Among Medzam's asserted bases for an award of attorneys fees was an argument that, in amending its claims, Multiform had engaged in bad faith. The Federal Circuit rejected that contention with a cite to *Kingsdown*:

Medzam also argues that it was an act of bad faith for Multiform to add ... claims to the '266 patent in an attempt to cover Medzam's products. However, it is neither illegal nor bad faith for an applicant to amend the claims in view of a competitor's product. *See Kingsdown*... ("[N]or is it in any manner improper to amend or insert claims intended to *689 cover a competitor's product the applicant's attorney has learned about during the prosecution.")...

Multiform Desiccants, Inc., 133 F.3d at 1482. Thus, in the context of deciding whether a case was "exceptional" for purposes of the awarding of attorney fees under 35 U.S.C. § 285, the Federal Circuit, in *Multiform Desiccants, Inc.*, reiterated the here at-issue *Kingsdown* language.

[2] In 2002, the Federal Circuit again cited that portion of *Kingsdown* in deciding *PIN/NIP, Inc. v. Platte Chem. Co.*, 304 F.3d 1235 (Fed.Cir.2002), wherein Platte Chemical Company ("Platte") alleged that products manufactured by PIN/NIP, Incorporated ("PIN/NIP") infringed multiple claims of a patent to which Platte was an assignee.^{FN15} Among other defenses to these allegations of infringement, PIN/NIP contended that claim 33 of the '912 patent, which Platte alleged PIN/NIP to have infringed, was invalid for failing to satisfy the written description requirement of 35 U.S.C. § 112. *PIN/NIP, Inc.*, 304 F.3d at 1237; see also 35 U.S.C. § 112 ("The specification shall contain a written description of the

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invention.”).^{FN16} The evidence showed that claim 33 was added after the inventors learned that subsequent to the filing of the initial application, PIN/NIP had publicly disclosed a method for treating potatoes in which the separate chemicals were added in spaced, sequential applications rather than in a mixture.

FN15. The patent-in-suit, United States Patent No. 5,622,912 (the “’912 patent”) was directed to a composition and method for inhibiting sprout growth in potatoes and other tubers.

FN16. As discussed in more detail *infra*, in order to satisfy the written description requirement, any claims contained in subsequently filed amendments, continuation, or divisional applications must be supported by the original specification. Cooper Cameron Corp. v. Kvaerner Oilfield Prods., 291 F.3d 1317, 1323 (Fed.Cir.2002); Lockwood v. Am. Airlines, Inc., 107 F.3d 1565, 1571-72 (Fed.Cir.1997); Applied Materials, Inc. v. Advanced Semiconductor Materials America, Inc., 98 F.3d 1563, 1579 (Fed.Cir.1996) (Mayer, J. concurring).

PIN/NIP argued that claim 33 was invalid under 35 U.S.C. § 112 because the claim extended beyond the invention as described in the originally filed application. PIN/NIP, Inc., 304 F.3d at 1247. Specifically, PIN/NIP asserted that claim 33, which, as mentioned, defined a spaced, sequential application of the utilized chemicals, extended beyond the invention as described in the originally filed specification, which described an application of the chemicals in a unitary mixture. *Id.* In response, Platte argued that, although claim 33 was admittedly broader than the original application, the subject matter of claim 33 was actually and adequately disclosed in the original specification.

The jury, among other findings not here relevant, agreed with Platte, finding that claim 33 satisfied the written description requirement. On appeal, however, the Federal Circuit reversed this finding, holding that nothing in the specification indicated that the invention claimed anything other than a mixture of chemicals whereas the claim-in-suit described an invention intended to encompass separate unitary applications of the chemicals to the potatoes. The

Federal Circuit stated:

Platte even admits that “claim 33, as written, is arguably broader than the examples disclosed in the ‘912 patent.” While it is legitimate to amend claims or add claims to a patent application purposefully to encompass devices or processes of others, there must be support for such amendments or additions in the originally filed application. *See Kingsdown...* (“[N]or is it in any manner improper to amend or insert claims intended to cover a competitor’s product *690 the applicant’s attorney has learned about during the prosecution of a patent application. Any such amendment or insertion must comply with all statutes and regulations, of course, but, if it does, its genesis in the marketplace is simply irrelevant.”). In this case, the originally filed application, which is devoid of any mention or even implication that the two chemicals can be applied in a spaced, sequential manner, does not support the later-added claim 33.

PIN/NIP, Inc., 304 F.3d at 1247-48. Thus, in PIN/NIP, Inc., the Court of Appeals took no issue with the fact that the inventor had filed an additional claim apparently based on ideas gained from a competitor’s product; rather, it held that the later claim was invalid because the claim lacked support in the specification.

Lastly, earlier this year, the Federal Circuit returned to the pertinent *Kingsdown* language in Liebel-Flarsheim Co. v. Medrad, Inc., 358 F.3d 898 (Fed.Cir.2004), wherein the Liebel-Flarsheim Company (“Liebel”) alleged that products manufactured by Medrad, Inc. (“Medrad”) infringed various of its patents. The patents related to certain methods and devices for use in connection with powered fluid injectors, which are used to inject fluids into patients during medical procedures. Medrad, Inc., 358 F.3d at 900.

The district court granted summary judgment of non-infringement and Medzam appealed. For reasons not here pertinent, the Federal Circuit reversed the summary judgment ruling. However, in an attempt to give meaning to several claim terms, the Federal Circuit, as had the district court, examined the prosecution history of the patents. In so doing, the Federal Circuit noted that, during the pendency of the patent prosecution, Liebel learned about a “jacketless” injector made by Medrad and filed

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additional claims which omitted any reference to a jacket "in order to encompass Medrad's injector." Medrad, Inc., 358 F.3d at 909. Immediately after making this statement, the court dropped a footnote that made reference to *Kingsdown*:

The district court recognized that it is not improper for an applicant to broaden his claims during prosecution in order to encompass a competitor's product, as long as the disclosure supports the broadened claims. *See Kingsdown*... (holding that it is not improper "to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application"). If the disclosure does not support the broadened claims, the applicant will not be accorded priority based on the original disclosure, and the claims may be invalidated.

Medrad, Inc., 358 F.3d at 909 n. 2. It is not readily apparent why that language was cited because there was no challenge to the broadened claim. Nonetheless, although again in dictum, the Federal Circuit in *Medrad, Inc.* reiterated the notion that, as a matter of patent law, there is nothing improper about prosecuting a patent in such a way as to encompass competitors' products.

Understood in the context in which they were decided, *Kingsdown* and its progeny stand for the unremarkable proposition that amending a patent application to cover a competitor's product is not, in and of itself, sufficient to show deceptive intent or bad faith under the patent laws. In addition, the cases stand for the proposition that prosecuting a patent in order to cover a competitor's product is not an illegitimate practice under the patent laws, provided that the patent applicant otherwise complies with the law. Against this background, it is now appropriate to resolve Rambus' motion *in limine*.

691III. *Kingsdown* and its Progeny do not Support Rambus' Motion *in Limine

Rambus contends that, in light of *Kingsdown* and the other decisions discussed above in DISCUSSION Section II, any proof or argument by Infineon that Rambus "stole," misappropriated, or misused ideas from JEDEC would be improper and would serve solely to inflame unfairly the jury. Also, relying on *Kingsdown* and its progeny, Rambus argues that,

even if Infineon's factual allegations respecting Rambus' conduct at JEDEC are true, those decisions by the Federal Circuit clearly permit the alleged conduct and, therefore, those decisions foreclose the admission of evidence respecting how Rambus acquired the information that it used to secure the patents-in-suit.

To be sure, Rambus agrees that it would be rather odd if the law were to allow patent applicants to misappropriate the ideas and inventions of others and then secure patents on them. According to Rambus, however, the patent law itself provides the sole and sufficient protection against the absurdity of an outcome where an "inventor" is awarded a patent covering an invention acquired wrongfully from someone else. Specifically, Rambus argues that the provisions of 35 U.S.C. §§ 112, 120, 121 and 132 foreclose that result, and that, because of *Kingsdown*, the evidence that Infineon seeks to introduce in support of its monopolization and unfair business practices claims and any of its defenses is likewise foreclosed.

[3][4] Under 35 U.S.C. § 112, a patent specification must, among other requirements, contain a "written description" of the invention. Under 35 U.S.C. § 112, the specification also must convey with reasonable clarity to those skilled in the art that, as of the filing date, the patent holder was "in possession of the invention" now claimed in the patent. Vas-Cath Inc. v. Mahurkar, 935 F.2d 1555, 1560-61 (Fed.Cir.1991). As a corollary, by virtue of 35 U.S.C. § 132(a), any amendment to a patent application must not contain any "new matter," that is, matter that describes a different invention or adds to or changes the nature of the invention disclosed in the specification. Regents of Univ. of N.M. v. Knight, 321 F.3d 1111, 1121 (Fed.Cir.2003). Likewise, to enjoy the priority date of the original application, any continuation or divisional application must also meet these requirements. 35 U.S.C. §§ 120, 121; *see also Applied Materials, Inc. v. Advanced Semiconductor Materials America, Inc.*, 98 F.3d 1563, 1579 (Fed.Cir.1996) (Mayer, J. concurring); Mahurkar, 935 F.2d at 1560.^{FN17}

^{FN17} Here, all the patents-in-suit claim priority to the '898 application, filed in 1990.

According to Rambus, the requirement of support in

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the original application for any later-issued claims, along with the prohibition against newly added material, are the mechanisms, and indeed, says Rambus, are the *only* mechanisms that fetter the conduct of patent applicants when making patent claims. This contention is based largely on the decision in Amgen Inc. v. Hoechst Marion Roussel, Inc., 314 F.3d 1313 (Fed.Cir.2003), wherein the Federal Circuit explained that:

The purpose of the written description requirement is to prevent an applicant from later asserting that he invented that which he did not; the applicant for a patent is therefore required to recount his invention in such detail that his future claims can be determined to be encompassed within his original creation.

314 F.3d at 1330; see also Mahurkar, 935 F.2d at 1563-64 (holding that the written description requirement requires patent applicant to “convey with reasonable clarity*692 to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention. The invention is, for purposes of the ‘written description’ inquiry, whatever is now claimed”) (emphasis in original).

Rambus, of course, is correct that, as Amgen explains, the patent system itself provides a mechanism to confine patent applicants to the structures of lawful conduct in prosecuting patents and to prevent the outright stealing or misappropriation of inventions. The problem with Rambus' position is that it would leave the above surveyed patent law as the *only* check on, and remedy for, abuse. At bottom, Rambus reads Kingsdown for the proposition that, so long as any later-added claims are adequately disclosed in the original application, it makes absolutely no difference whether the applicant violated any other law when acquiring the information that is added later.^{FN18} Rambus' contention is wrong for several reasons.

^{FN18}. In Kingsdown, and indeed in the subsequent Federal Circuit cases, the Federal Circuit did not discuss in any depth how the patent-applicant learned of the competing product. In the background of the cases, however, is the notion that the patent-applicant's observation of the competing product simply occurred in the market. For instance, in PIN/NIP, Inc., the court stated

that the inventors filed additional claims after “PIN/NIP had publicly disclosed” a new method. 304 F.3d at 1239. Similarly, in Kingsdown itself the court recounted that, “Kingsdown's patent attorney saw a two-piece ostomy appliance manufactured by Hollister,” 863 F.2d at 870, suggesting that the lawyer simply viewed a device that had been released into the market. Suffice it to say that, in none of the cases, did the patent holder learn of the later-added inventions through its participation in a standard-setting organization.

[5] First, Kingsdown itself simply does not reach to the extreme that Rambus urges. Rather, in Kingsdown, the Federal Circuit circumscribed the rule there announced by explaining that the “genesis [of the amendment] in the marketplace is simply irrelevant and cannot of itself evidence deceitful intent.” Kingsdown, 863 F.2d at 874 (emphasis added). Thus, Kingsdown itself dealt with what is already in the marketplace, not with an industry standard that is under development. More importantly, Kingsdown clearly says that the genesis of the amendment in the marketplace, standing alone, cannot evidence deceitful intent. Kingsdown thus does not foreclose consideration of the effect of the genesis of the idea together with evidence of other conduct, particularly not conduct that is unlawful under applicable statutes. Indeed, Kingsdown makes clear that the amendment “must comply with all statutes and regulations.”^{FN19} These circumscribing factors are not, in any way, eliminated in the ensuing decisions interpreting Kingsdown. Yet, under Rambus' theory, those factors would no longer circumscribe the application of Kingsdown.

^{FN19}. Rambus suggests that this means “all patent statutes and regulations.” That, however, is not what the Federal Circuit said: the rule is that the amendment “must comply with *all* statutes and regulations.” 863 F.2d at 874 (emphasis added).

Second, if given the effect for which Rambus presses, the rule of Kingsdown would lead to absurd results. For instance, under Rambus' theory, if an individual, who has a pending patent application with the PTO, commits industrial espionage, bribery, breaking and entering, or outright threats and intimidation, and

thereby obtains concepts that he later uses to amend his patent application, *Kingsdown* confers legitimacy on the patent that is thereafter issued, and no evidence of those facts can be introduced for any purpose. Transcript of Hearing, *Rambus, Inc. v. Infineon Tech. AG*, No. 3:00CV524, July 16, 2004, at 7-10. To Rambus, the aggrieved party's remedy *693 lies in the fact that the individual engaging in such conduct could be pursued in a separate action, either civilly or criminally, for the act of bribery, espionage, breaking and entering, or assault. But, according to Rambus, because of *Kingsdown*, a jury would need to be told that the unlawful methods through which the applicant obtained the concepts underlying the later-added claims cannot be considered in determining whether the ultimately issued patents were valid or for any other purpose legitimately in the case.^{FN20}

^{FN20}. Although the Court will deny Rambus' motion *in limine*, it may well be that the term "stolen," even under Infineon's theory of the case, is an inappropriate term to use in describing Rambus' conduct. There are disputes of fact respecting whether proposed JEDEC standards were available to non-JEDEC members and whether, and, to what extent, they were to remain confidential. Although it is undisputed that minutes of JEDEC meetings were available to non-JEDEC members, it is unclear what these minutes consisted of. According to Infineon, proposed standards offered at JEDEC were supposed to remain confidential. Regardless, even under Infineon's theory of the case, Rambus did not come into possession of the information wrongly. Rather, as a member of JEDEC, it was entitled to know of the proposed standards; thus, it is difficult to understand how Rambus can be said to have "stolen" the information. In other words, although Infineon uses the term "stolen" in describing Rambus' actions, the import of Infineon's allegations is more that Rambus misappropriated the information learned at JEDEC, using it to guide its patent prosecution in order to effectuate a monopoly and in a way that constituted an unfair business practice. This issue will need to be sorted out after the factual record is developed at trial.

Kingsdown stands for the proposition that the patent laws are not offended if a patent applicant amends a pending application to cover a product that it observed in the market. The rule of *Kingsdown* cannot reasonably be extended to mean that it is appropriate or lawful to amend a pending patent application to secure patents when the act of doing so is part of conduct that violates other non-patent laws, for instance, 15 U.S.C. § 2. Otherwise, *Kingsdown*, as posited by Rambus, would operate to give unscrupulous persons an incentive to violate a panoply of civil and criminal laws knowing that the behavior will yield financial success by way of a valid patent. Indeed, such a patent could be sold for a profit to an innocent purchaser for value and thus placed beyond the reach of remedies that would apply to deal with the wrongdoer.^{FN21}

^{FN21}. Infineon further argues that its equitable defense of prosecution laches allows it to introduce evidence and argument on Rambus' use of information gleaned at JEDEC in the prosecution of the patents-in-suit. Infineon contends that, notwithstanding *Kingsdown*, amending a patent application to cover a competitor's product can be pertinent under the doctrine of prosecution laches. See *Webster Elec. v. Splitdorf Elec. Co.*, 264 U.S. 463, 44 S.Ct. 342, 68 L.Ed. 792 (1924); *Woodbridge v. United States*, 263 U.S. 50, 44 S.Ct. 45, 68 L.Ed. 159 (1923); *Chiron Corp. v. Genentech, Inc.*, 268 F.Supp.2d 1139 (E.D.Cal.2002). Specifically, referencing its prosecution laches defense, Infineon contends that Rambus deliberately stood by while the DRAM industry grew up around the JEDEC standards and, as a component of this effort, amended its claims in order to capture the JEDEC standard. There is evidence to support that theory and, interestingly, in response, Rambus does not really argue that Infineon's proposed use of the JEDEC evidence is not probative of its prosecution laches defense. Rather, Rambus challenges the merits of Infineon's prosecution laches defense. Stated otherwise, in responding to Infineon's argument on this score, Rambus more-or-less raises a summary judgment challenge to Infineon's ability to proceed on

the defense of prosecution laches. This, of course, is improper. Summary judgment motions have already been filed, briefed, argued, and ruled on. It is simply too late for Rambus to move, especially in stealth form, for summary judgment on Infineon's prosecution laches defense.

*694 Further, and more importantly for this case, Rambus also argues that *Kingsdown* establishes the proposition that prosecuting a patent in the PTO in such a way as to cover the products of others can simply never be wrongful or illegal, under any set of facts or precepts of law. And, according to Rambus, that is so even if Infineon proves that Rambus' actions were wrongful and monopolistic under the Sherman Act or an "unfair business practice" under Cal. Bus. & Prof.Code § 17200.

The Federal Circuit, however, has never taken such an extreme position. Nor has the Federal Circuit ever held that it is always legitimate, no matter what the factual or legal context, for a patent applicant to add patent claims covering a competitor's product. Indeed, the court, in *Kingsdown* itself, held that a patent applicant must, of course, "comply with all statutes and regulations." Accordingly, under the explicit text of *Kingsdown*, if Rambus' actions violated the Sherman Act or Cal. Bus. & Prof.Code § 17200, the general rule of *Kingsdown* does not protect Rambus. Indeed, an examination of the counterclaims at issue in this case, and Rambus' *Kingsdown*-based responses thereto, shows the incorrectness of Rambus' interpretation of *Kingsdown*.^{FN22}

^{FN22} Further, Infineon's non-patent law based counterclaims aside, as a matter of the patent-law regime surveyed above, Rambus' motion *in limine* is misplaced. For instance, under 35 U.S.C. § 112, the patent specification must "convey with reasonable clarity to those skilled in the art that, as of the filing date [the patent holder] was in possession of the invention." Vas-Cath Inc. v. Mahurkar, 935 F.2d 1555, 1563 (Fed.Cir.1991). Here, Infineon asserts (and there is evidence to show) that, as of the filing of the '898 application, Rambus was not in possession of the inventions claimed by the patents-in-suit. Rather, according to

Infineon, Rambus only thought to expand its patents to cover those technologies *after* it learned about them at JEDEC. And, under Federal Circuit decisional law, the evidence that Rambus is here seeking to preclude is probative to the 35 U.S.C. § 112 inquiry. Gentry Gallery, Inc. v. Berklinc Corp., 134 F.3d 1473, 1479 (Fed.Cir.1998) ("Finally, although not dispositive, because one can add claims to a pending application directed to adequately described subject matter, Sproule admitted at trial that he did not consider placing the controls outside the console until he became aware that some of Gentry's competitors were so locating the recliner controls. Accordingly, when viewed in its entirety, the disclosure is limited to sofas in which the recliner control is located on the console."). In other words, as a part of its 35 U.S.C. § 112 defense, Infineon, in its attempt to show that Rambus was not in possession of the disputed inventions at the time it filed the '898 application, can offer evidence and argument that, far from disclosing the inventions in the '898 application, Rambus in fact only learned of the inventions from its attendance at JEDEC. Thus, as part of its written description defense, Infineon can show that Rambus used information learned at JEDEC to guide its patent prosecution in order to cover technologies that it did not actually invent and that were not disclosed in the '898 application. This fact alone requires denial of Rambus' motion *in limine*.

[6] Third, the factual setting in which the *Kingsdown* text on which Rambus relies is far different than the facts on which this action will be tried. In this case, Infineon proffers Rambus' conduct of attending JEDEC meetings for the purpose of obtaining information to guide its prosecution in the PTO as a component of its monopolization counterclaim and of its unfair business practices counterclaim under Cal. Bus. & Prof.Code § 17200. Def. Mem. Regarding *Kingsdown*, June 18, 2004, at 17.^{FN23} Infineon argues that Rambus'*695 amendment of its patent applications based on information it obtained at JEDEC was part of Rambus' anticompetitive scheme and wrongful acquisition of monopoly power in the worldwide DRAM market. Further, Infineon maintains that Rambus' actions constituted an

unlawful business practice under the California statute. And, there is evidence to support those allegations. As the fulsome recounting undertaken above illustrated, *Kingsdown* and its progeny did not involve alleged violations of such statutes.

FN23. The offense of monopoly under 15 U.S.C. § 2 has two principal elements: (1) the possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident. United States v. Grinnell Corp., 384 U.S. 563, 570-71, 86 S.Ct. 1698, 16 L.Ed.2d 778 (1966). To the extent that Infineon's Section 17200 claim is based on the California statute's "unlawful" prong, Infineon's Section 17200 claim also turns on these two elements.

Notwithstanding these distinguishing factors, Rambus asserts that *Kingsdown* and its progeny forecloses any evidence, or argument, that, by amending its claims in order to cover the JEDEC standards, Rambus was engaged in monopolistic conduct or in an unfair business practice. In other words, Rambus is attempting to use *Kingsdown* for the proposition that a company, without running afoul of the Sherman Act, Section 17200, or any other law, can join a standard-setting organization ("SSO"), which is dedicated to the adoption of open standards,^{FN24} for the purpose of learning about proposed standards, and then can use the knowledge thereby gained to guide its patent applications with the PTO in order to cover the standards issued by the SSO. Nor, according to Rambus, can such evidence be used in defense of a patent infringement claim.

FN24. An "open standard" is a standard that a manufacturer can practice without infringing any patents or intellectual property. In other words, a product manufactured in conformance with an open standard is non-royalty bearing.

There are several problems with Rambus' arguments. Most basically, neither the *Kingsdown* decision itself, nor any of the subsequent cases, involved facts remotely similar to those presented here. In

Kingsdown and the subsequent cases, the Federal Circuit stated that it is not "improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the [patent's] prosecution." That, however, according to Infineon's theory of the case and indeed the evidence, is not at all what happened here.

Here, there is evidence to support Infineon's contention that Rambus amended its claims not to cover a "product," but rather to cover a contemplated industry standard with a view toward capturing the entire DRAM market in its patent snare. Moreover, this standard (rather than "product") was not really that of a "competitor," as the Federal Circuit in *Kingsdown* and its progeny used the term, but was that of an SSO dedicated to the adoption of open standards. In other words, rather than the two manufacturers competing in the market as in *Multiform Desiccants, Inc.*, this case involves an organization of horizontal competitors who were acting in unison to develop an open standard. And, according to Infineon's allegations, this is not a case wherein a patent applicant simply "learned about" a "competitor's product," but rather a situation where a patent applicant joined an SSO, at least in part, for the express purpose of learning about contemplated standards in order to guide its patent prosecution as part of its effort to achieve a monopoly.^{FN25}

FN25. There are, as mentioned, disputes of fact respecting the general public availability of the proposed JEDEC standards. See *supra*, footnote 20.

In sum, the *Kingsdown* rule was not made, and has never been applied, in the context of an industry wide standard or an SSO. Rather, *Kingsdown* and subsequent cases involved the amending of a patent application to add claims intended to cover a single competitor's product of which the *696 applicant had learned by simply monitoring the market.

Standard-setting organizations allow industry players to meet as a group and exercise influence on their particular industry. It almost goes without saying, therefore, that the collusive atmosphere of an SSO presents a very real opportunity for anticompetitive behavior. See Allied Tube & Conduit Corp. v. Indian Head, Inc., 486 U.S. 492, 500, 108 S.Ct. 1931, 100 L.Ed.2d 497 (1988) ("Agreement on a product

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standard is, after all, implicitly an agreement not to manufacture, distribute, or purchase certain types of products. Accordingly, private standard-setting associations have traditionally been objects of antitrust scrutiny.”); *American Soc’y of Mech. Eng’rs v. Hydrolevel Corp.*, 456 U.S. 556, 571, 102 S.Ct. 1935, 72 L.Ed.2d 330 (1982) (“[A] standard-setting organization ... can be rife with opportunities for anticompetitive activity.”); see also David M. Schneck, *Setting the Standard: Problems Presented to Patent Holders Participating in the Creation of Industry Uniformity Standards*, 20 *Hastings Comm. & Ent. L.J.* 641, 655 (1998) (“Standardization involves agreements among horizontal competitors, which draws antitrust scrutiny.”).

Nonetheless, because of the need for interoperability ^{FN26} in certain industries, SSOs are tolerated. Indeed, far from being anticompetitive or merely benign, SSOs generally have beneficial effects on competition. David A. Balto, *Standard Setting in the 21st Century Network Economy*, 18 No. 6 *Computer & Internet L.* 5, 7 (2001). Product uniformity through standardization, especially in technological markets, facilitates the comparison of competing products, which benefits consumers in the short run and provides incentives for engineers to develop the next generation of compatible products, thereby providing longer-term consumer benefits. James C. De Vellis, *Patenting Industry Standards: Balancing the Rights of Patent Holders with the Need for Industry-Wide Standards*, 31 *AIPLA Q.J.* 301, 316 (2003). Likewise, new producers have easier entry into a market when standards exist, thus also increasing competition. In addition, a future product will have the additional benefit of a longer product life if it revolves around an existing standard; a standardized technology core also lowers a company's cost of developing a next generation product. Finally, producers have lower marketing costs in bringing products to a predefined, standardized market. David M. Schneck, *Setting the Standard: Problems Presented to Patent Holders Participating in the Creation of Industry Uniformity Standards*, 20 *Hastings Comm. & Ent. L.J.* 641, 642 (1998). For all these reasons, when they operate correctly, SSOs foster competition.

FN26. “Interoperability” is simply the ability of one manufacturer's product to interface with other manufacturers' products.

Mark A. Lemley, *Standardizing Government Standard-Setting Policy for Electronic Commerce*, 14 *Berkeley Tech. L.J.* 745, 746 (1999).

Notwithstanding these benefits, the fact remains that SSOs inherently are “rife with opportunities for anticompetitive activity.” *American Soc’y of Mech. Eng’rs*, 456 U.S. at 571, 102 S.Ct. 1935. An SSO affords the potential for industry players to act together and exert their anticompetitive conduct throughout the remainder of the industry. Moreover, even if the SSO itself is not corrupt, the subversion of an SSO by a single industry player or by a limited subset of SSO members can result in anticompetitive outcomes. Thus, antitrust law historically has been concerned with the risk of one or a small number of participants capturing the economic power of an industry-wide standard and turning the SSO into a source of exclusionary power. Simply put, by hijacking or capturing *697 an SSO, a single industry player can magnify its power and effectuate anticompetitive effects on the market in question. That, of course, is what Infineon proposes to prove that Rambus has done.

The decision in *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 108 S.Ct. 1931, 100 L.Ed.2d 497 (1988), is instructive. The National Fire Protection Association (“NFPA”) is an SSO which publishes, among other things, the National Electrical Code (“NEC”). The NEC establishes product and performance requirements for the design and installation of electrical wiring systems; these standards are revised every three years. A substantial number of state and local governments routinely adopt the NEC wholesale into law. Moreover, private certification laboratories often will not list or label an electrical product unless it complies with NEC standards. Likewise, many electrical contractors and distributors will not use or sell a product that is not NEC compliant. *Indian Head*, 486 U.S. at 496, 108 S.Ct. 1931. For these reasons, it is in a manufacturer's obvious interest to produce NEC compliant goods.

Among the types of products covered by the NEC is “electrical conduit,” that is, the hollow tubing used to carry electrical wires through the walls, floors, and ceilings of buildings. In the 1970s, the NEC only certified electrical conduit made of steel. Starting in 1980, however, *Indian Head, Inc.* (“Indian Head”)

began offering electrical conduit made of polyvinyl chloride. Thereafter, Indian Head initiated a proposal with NFPA to include polyvinyl chloride conduit as an approved type of electrical conduit in the NEC. Following approval by one of the NFPA's panels, Indian Head's proposal was scheduled for consideration at the 1980 annual NFPA meeting, where it could be rejected or adopted by a simple majority of the members present. Indian Head, 486 U.S. at 496, 108 S.Ct. 1931.

Allied Tube and Conduit Corporation ("Allied Tube"), which, at that point in time, was the nation's largest producer of steel conduit, became worried that Indian Head's polyvinyl chloride product would cut into its market. Allied Tube, therefore, along with several other electrical conduit manufacturers and distributors, agreed to pack the 1980 NFPA meeting with new members whose only function would be to vote against Indian Head's proposal. Thus, Allied Tube recruited over 150 persons, including employees, executives, sales agents, the agents' employees, and the wife of a sales director, for this scheme. Allied Tube paid for the NFPA memberships for these individuals, as well as for their registration and attendance expenses for the 1980 meeting. The vast majority of these individuals did not have the technical expertise or background necessary to understand the discussions held at the meeting; indeed, none of them spoke at the meeting or participated in any manner save voting. With Allied Tube's ringers in place, Indian Head's proposal was easily defeated. Indian Head, 486 U.S. at 497, 108 S.Ct. 1931.

[7] Thereafter, Indian Head brought a federal antitrust action alleging that Allied Tube unreasonably had restrained trade in the electrical conduit market in violation of federal law. The jury, instructed under the "rule of reason," ^{FN27} found Allied Tube liable. In so finding, the jury returned special interrogatories that, *inter alia*, Allied*698 Tube had not violated any of NFPA's rules. Nonetheless, the jury indicated that Allied Tube, by packing the meeting, had "subvert[ed]" the consensus standard-making process of the NFPA and thereby illegally restrained trade. Indian Head, 486 U.S. at 498, 108 S.Ct. 1931. The district court, however, overturned this verdict because it found that the NFPA was akin to a governmental legislature and thus Allied Tube's actions were protected under the

Noerr-Pennington doctrine. ^{FN28}

^{FN27} The "rule of reason" requires the finder of fact to weigh the anticompetitive effects of the at-issue conduct against the procompetitive effects the conduct might have had. Stated otherwise, it requires the fact finder to determine whether the challenged conduct, on balance, promotes or suppresses competition. National Soc'y of Prof'l Eng'rs v. United States, 435 U.S. 679, 691, 98 S.Ct. 1355, 55 L.Ed.2d 637 (1978).

^{FN28} The *Noerr-Pennington* doctrine, predicated on the cases of Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961), and United Mine Workers of Am. v. Pennington, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965), holds that a concerted action consisting solely of activity aimed at influencing public officials does not violate the antitrust laws. City of Columbia v. Omni Outdoor Advertising, 499 U.S. 365, 379-80, 111 S.Ct. 1344, 113 L.Ed.2d 382 (1991). In other words, it is a First Amendment gloss on the antitrust laws.

On appeal to the United States Court of Appeals for the Second Circuit and later the Supreme Court of the United States, the key issue was whether Allied Tube was entitled to *Noerr-Pennington* immunity. Ultimately, the Second Circuit, and then the Supreme Court, rejected the district court's holding that the NFPA was akin to a legislature, and held that the district court's application of *Noerr-Pennington* was in error, as was its attendant reversal of the jury's verdict. Indian Head, 486 U.S. at 510, 108 S.Ct. 1931.

The Supreme Court's principal holding in *Indian Head*, which turned on an interpretation of the *Noerr-Pennington* doctrine, is, of course, not directly relevant to this case. In deciding the case, however, the Court embraced the notion that an entity's conduct at an SSO may run afoul of the antitrust laws even if that entity did not violate the SSO's express rules. Id. at 509, 108 S.Ct. 1931 ("The antitrust validity of these efforts is not established, without more, by petitioner's literal compliance with the rules

of the association.”).^{FN29} And, addressing SSOs generally, the Court stated that the antitrust laws tolerate SSOs because, when functioning properly, such entities benefit competition. The Court, however, recognized the obvious fact that, when commandeered by a subset of industry players or, by obvious extension, a single industry player, conduct at an SSO may violate the antitrust laws:

FN29. This, of course, means that, standing alone, the fact that Rambus did not violate JEDEC's patent disclosure policy does not insulate it absolutely from antitrust liability.

[P]rivate standard-setting by associations comprising firms with horizontal and vertical relations is permitted at all under the antitrust laws *only on the understanding that it will be conducted in a nonpartisan manner offering procompetitive benefits.* 486 U.S. at 506-7, 108 S.Ct. 1931 (emphasis added). Thus, if an SSO is conducted (or subverted) in a partisan manner that results in anticompetitive results, such activity may run afoul of the antitrust laws. *Id.* at 511, 108 S.Ct. 1931.

Application of these concepts negates Rambus' arguments that its alleged conduct at JEDEC, if proven, was appropriate or lawful. Rather, if, as Infineon says it can prove, Rambus joined an SSO dedicated to open standards, learned of standards and proposed standards through that membership, and then prosecuted its patents with the PTO to cover the standards, a jury could find that Rambus acted in a profoundly anticompetitive manner. In particular, a jury could find that, by guiding its patent applications to cover the JEDEC standards, Rambus was able to exert a tremendous amount of influence over the unaware DRAM industry; an industry comprised of manufacturers who had developed JEDEC-compliant products *699 in the belief that such products would not be royalty bearing and who, if they wished to remain JEDEC compliant and manufacture the goods they had developed, thus needed to obtain Rambus licenses or suffer prosecution. In other words, a jury could find, on the record evidence if given credence, that Rambus' conduct allowed it to obtain its market power, not through superior products, historical accident, or business acumen, but through unlawful behavior. Any sensible interpretation of 15 U.S.C. § 2 would recognize that this conduct, if proven, is behavior violative of the monopoly law. Similarly,

under California jurisprudence, the alleged conduct, if proven, would constitute an unfair business practice under Cal. Bus. & Prof.Code § 17200. *Cel-Tech Communications, Inc. v. Los Angeles Cellular Tel. Co.*, 20 Cal.4th 163, 83 Cal.Rptr.2d 548, 973 P.2d 527 (1999).

Moreover, Rambus' contentions to the contrary notwithstanding, the *Kingsdown* line of cases says absolutely nothing about the antitrust or unfair business practices liability of a corporate patent applicant which acts to hijack a SSO; the *Kingsdown* line of cases—all of which were decided solely under the patent law—all involved a patent holder which amended its application in order to cover a single competitor's product. And, none of those decisions involved alleged monopolistic behavior or conduct alleged to have violated an unfair business practice statute. Hence, neither *Kingsdown* nor its progeny have been applied to the circumstances or the legal theories at issue in this action.

[8] The patent statutes and the decisional law implementing them do not exist or operate in isolation. Rather, they are a part of the legal fabric of a society that imposes on its citizens, individual and corporate, other legal constraints that cannot, as Rambus would have it, be rendered meaningless or marginalized by the distorted application of a principle of patent law that, in context and in its place, is no doubt valid. Indeed, the patent laws must, and certainly can, coexist with the other statutes that control the conduct of commerce. *See generally* Herbert Hovenkamp, Mark D. Janis, & Mark A. Lemley, *Intellectual Property & Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law* (2004). In the context of this litigation, appropriate instructions can be crafted to facilitate that kind of coexistence. To be sure, such instructions must be tailored to fit the evidence and to account for the controlling law, patent and otherwise. That effort, of course, is better accomplished later in perspective of the case as it develops at trial. Followed to its conclusion, however, the logic offered by Rambus in support of its motion *in limine* would foreclose completely an outcome wherein patent law is given its rightful holistic place within the law as a whole.

CONCLUSION

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For the reasons stated above, the Court declines Rambus' invitation to apply *Kingsdown* in an extreme manner never authorized by the Federal Circuit and in a way that elevates a valid precept of patent law to a position of jurisprudential primacy for which there is no precedent. Accordingly, Plaintiff's Motion *in Limine* No. 2, to Exclude Evidence or Argument that Plaintiff's Amendment of Patent Claims was Based on "Stolen" Ideas or was Otherwise Wrongful or Illegal (Docket No. 576) will be denied.

The Clerk is directed to send a copy of this Memorandum Opinion to all counsel of record.

It is so ORDERED.

E.D.Va.,2004.
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END OF DOCUMENT

Exhibit C

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

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4 ANASCAPE, LTD.,)
Plaintiff,) CIVIL ACTION NO.
5 V.) 9:06-CV-00158-RC
6)
MICROSOFT CORPORATION, and)
7 NINTENDO OF AMERICA, INC.,)
Defendants.)
8 - - - - -
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ORAL AND VIDEOTAPED 30(B)(6) DEPOSITION
OF BRAD ARMSTRONG
MARCH 17, 2008
VOLUME 1

11 *****

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14 ORAL DEPOSITION OF BRAD ARMSTRONG, produced as a
15 witness at the instance of the DEFENDANT, and duly
16 sworn, was taken in the above-styled and numbered cause
17 on the 17th of March, 2008, from 9:06 a.m. to 5:56 p.m.,
18 before Linda A. Rayburn, CSR in and for the State of
19 Texas, reported by machine shorthand, at the offices of
20 Parker, Bunt & Ainsworth, 100 E. Ferguson Street, Tyler,
21 Texas, pursuant to the Federal Rules of Civil Procedure
22 and any provisions stated on the record or attached
23 hereto.
24
25

1 Brad Armstrong

2 each other.

3 Q Okay. Is it fair to say that what you were
4 trying to do in writing the claims that are -- that are
5 in Exhibit 102, that what you were trying to do was two
6 things: One, you were trying to write claims that would
7 cover controller products that were on the market, a,
8 and, b, make sure that those claims had support in your
9 specification?

10 A Yes, sir, that's -- that's fair.

11 Q Okay. That's what you were -- that was -- that
12 was the exercise that you and Mr. Carlson were going
13 through in the week, approximately, before you filed
14 this amendment in July of 2002, correct?

15 A Yes, sir.

16 Q So you were sitting there, for example, with a
17 Nintendo GameCube controller, correct?

18 A I'm sure we had one, yes, sir.

19 Q Right. And you were sitting there with a
20 Microsoft Xbox controller, correct?

21 A Yes, sir.

22 Q And do you remember any other controllers that
23 you had as part of this exercise?

24 A I suspect we had a Sony controller.

25 Q Do you remember which one?

1 Brad Armstrong

2 Q Right.

3 A Yes, sir.

4 Q So at the time you were writing these claims,
5 your best recollection is you had the Nintendo GameCube,
6 you had the Xbox 360 controller, and you had the -- you
7 had the Sony Dual Shock 2 controller, correct?

8 A Yes, sir.

9 Q And you had them all taken apart -- right -- so
10 you could look at the innards?

11 A Yes, sir.

12 Q And you had them -- did you have them laid out
13 on a table; is that your best recollection?

14 A No, I don't -- I don't remember them being laid
15 out on a table.

16 Q Okay. Did you have them somewhere that you
17 could refer to them easily as you were drafting the
18 claims?

19 A Yes, sir.

20 Q Okay. And -- and so you would -- you were
21 looking at those various controllers and you were
22 writing claims to cover them, right? Is that correct?

23 A Yes, sir.

24 Q Okay. And -- and, sir, those -- strike that.
25 So and then what you would do -- was it -- then you