

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

MOSAID TECHNOLOGIES INC.,

Plaintiff,

v.

FREESCALE SEMICONDUCTOR, INC.,
INTERPHASE CORPORATION, and
NVIDIA CORPORATION,

Defendants.

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Case No. 6:11-cv-00173-LED

JURY TRIAL DEMANDED

**DEFENDANTS' RESPONSE TO MOSAID TECHNOLOGIES INC.'S MOTION TO
DISMISS AND STRIKE DEFENDANTS' AFFIRMATIVE DEFENSES AND
COUNTERCLAIMS OF INEQUITABLE CONDUCT**

I. INTRODUCTION

MOSAID’S motion to dismiss seeks to treat Defendants’ inequitable conduct defenses and counterclaims as if they are based on MOSAID’s failure to disclose a patent or other printed reference to the Patent Office. They are not. Defendants’ inequitable conduct defenses are based on MOSAID’s failure to disclose an NVIDIA prior art *product* that MOSAID learned about from NVIDIA, that MOSAID believed to practice relevant claims, and that MOSAID hid from the Patent Office. Defendants’ pleadings identify the date, location, and specific information disclosed to individuals at MOSAID who were substantively involved in the prosecution at issue.¹ The materiality of the information disclosed to MOSAID - that the product feature that MOSAID asserts is covered by the claims was first released before the critical date is by definition “material.” Indeed, the principle “[t]hat which infringes, if later, would anticipate, if earlier” has been hornbook patent law for more than one hundred years. Given this context, it is clear that Defendants’ pleadings provide the “who, what, when, where, and how” required by *Exergen*.

II. FACTS

Prior to filing the present lawsuit, MOSAID met with NVIDIA. (N. Def. ¶¶ 21, 23, 26). During one of these meetings, in September of 2009, MOSAID alleged to NVIDIA that numerous NVIDIA products that implemented or were compatible with NVIDIA’s PowerMizer Intelligent Power Management Technology (“PowerMizer”) infringed U.S. Patent No. 7,051,306

¹ There are four separate pleadings at issue in two separate filed documents, as both NVIDIA and Freescale filed inequitable conduct defenses as well as an inequitable conduct counterclaim (Dkt. No. 90 for NVIDIA and Dkt. No. 91 for Freescale). Given the similarity between all of the pleadings, for ease of reference, Defendants cite to paragraphs in NVIDIA’s affirmative defense of inequitable conduct with the understanding that citation also applies to the same assertions in NVIDIA’s counterclaim as well as Freescale’s affirmative defense and counterclaim. The abbreviation “N. Def” is used to refer to paragraph numbers from NVIDIA’s affirmative defenses, Dkt. No. 90.

(“the ’306 patent”). (N. Def. ¶ 21). In response to these allegations, NVIDIA explained (during meetings in February and July of 2010) that MOSAID faced a Catch-22. In addition to being anticipated by traditional prior art such as U.S. Patent Nos. 5,996,084 and 6,307,281 (“the ’084 and ’281 patents”), MOSAID had in fact accused the same PowerMizer technology that was present in NVIDIA’s GeForce2 Go product more than 1 year before the priority date of the ’306 patent. (N. Def. ¶¶ 23-26). ***Dated documentary evidence*** of the GeForce2 Go product was also provided. (N. Def. ¶ 25). *See* Exhibit 1. Phillip Shaer, MOSAID’s Vice President, General Counsel, and Corporate Secretary personally attended one or more of these meetings. (N. Def. ¶ 27). According to MOSAID’s website, Mr. Shaer is responsible for MOSAID’s legal strategy, as well as disclosure and corporate governance obligations. (N. Def. ¶ 16).

At the same time that it was meeting with NVIDIA, MOSAID was also actively prosecuting two continuations of the ’306 patent, which would issue as U.S. Patent Nos. 7,945,885 (“the ’885 patent”) and 7,996,811 (“the ’811 patent”). (N. Def. ¶¶ 40-45, 51-53). Both of these applications issued after MOSAID filed this case, and Phillip Shaer was involved in the prosecution of both of the applications. (N. Def. ¶¶ 17-18). During the prosecution of the ’885 and ’811 patents, MOSAID cited the ’084 and ’281 patents to the Patent Office but chose not to cite to the Patent Office that the NVIDIA PowerMizer technology was prior art even though MOSAID was accusing PowerMizer technology of infringing the parent ’306 patent (N. Def. ¶¶ 30-31). Importantly, even after the Patent Office informed MOSAID that the claims of the ’885 and ’811 were not patentably distinct from the claims of the ’306 patent, MOSAID still did not

disclose that it was accusing the products using PowerMizer features of infringing the '306 patent.² (N. Def. ¶¶ 47-48, 56-57).

III. ARGUMENT

A. Applicable Law

“[T]o plead the “circumstances” of inequitable conduct with the requisite “particularity” under Rule 9(b), the pleading must identify the specific who, what, when, where, why, and how of the material misrepresentation or omission committed before the PTO.” *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328 (Fed. Cir 2009). In addition, a pleading of inequitable conduct “must include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual (1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the PTO.” *Id.* at 1328-29. As described below, Defendants’ pleadings in this case satisfy the *Exergen* standard.

B. Defendants Have Sufficiently Plead Materiality

Defendants’ inequitable conduct pleadings meet each of the pleading requirements set forth in the *Exergen* case. In its motion, MOSAID does not dispute that the pleadings satisfy the “who” and the “when” requirements of *Exergen*, and as described below, the remaining elements

² Notably, Defendants do not believe that their products infringe any of the asserted claims. However, for the purposes of determining if MOSAID committed inequitable conduct, MOSAID’s belief that the accused products do infringe the asserted claims must be considered. Moreover, regardless of whether or not MOSAID allegations are correct given the plain and ordinary meaning of the claims, the Patent Office is charged with using the “broadest reasonable construction” of the claims and would have considered applicants’ understanding of its own claims in formulating that broadest reasonable construction. As such, “but-for” MOSAID’s non-disclosure, the claims of the ’885 and ’811 patents would still not have issued.

of materiality (what, where, why, and how) are pled in two ways for the claims of the '885 patent and in one way for the claims of the '811 patent.

First with regard to the '885 patent alone, in its infringement contentions, MOSAID has asserted that numerous NVIDIA PowerMizer products infringe the claims of the '885 patent, and “[t]hat which infringes, if later, would anticipate, if earlier.” *Peters v. Active Mfg. Co.*, 129 U.S. 530 (1889). The mere fact that MOSAID asserts that NVIDIA’s PowerMizer products infringe the '885 patent (whether factually correct or not), establishes the presence of the accused feature prior to the critical date, which is necessarily material. The fact that MOSAID learned that it was interpreting the claims such that they were necessarily invalid under *Peters* is a fact that is inconsistent with the position taken by MOSAID in trying to secure patentability in the Patent Office and would have caused the Examiner to reject the claims. (N. Def. ¶¶ 36-37). Thus, the facts alleged by Defendants on their face establish the what, where, why, and how regarding the materiality of this information under the Patent Office’s definition of materiality. *See MedioStream, Inc. v. Microsoft Corp.*, Case No 2:080CV-369-CE, Dkt. No. 508 at *4 (E.D.TX October 27, 2010) (holding that the *Exergen* pleading standard was satisfied by patentee’s failure to disclose prior art DVDIt! 2 and MyDVD2.3 software, which the patentee knew had been sold more than one year prior to the filing date of the patents-in-suit and knew to be similar to the patented product).

Next, with regard to both the '885 and '811 patents, statements made by the Examiner to MOSAID and its attorneys during the prosecution of both the '885 and '811 patents reveal another independent basis of materiality. As set forth above, during the prosecution of both the '811 and '885 patents, the Examiner rejected all of the now asserted claims from both patents because they were “not patentably distinct” from the claims of the '306 patent, the first filed non-

provisional application in the family. *See* Exhibits 2 and 3. (N. Def. ¶¶ 40, 51). As such, MOSAID and its attorney had specific knowledge that the Examiner did not consider the claims of the '885 and '811 patents to be patentable over the '306 patent – the patent which MOSAID now knew was invalid under the claim construction it is advancing to assert infringement.³ (N. Def. ¶¶ 43, 54).

Specifically, as pled, prior to learning this from the Examiner, MOSAID had asserted in licensing negotiations that NVIDIA's PowerMizer products infringed the claims of the '306 patent. In response to this assertion, NVIDIA informed MOSAID's negotiators that NVIDIA's first PowerMizer product, the GeForce2 Go, was in public use and sold more than 1 year before the priority date of the '306 patent. (N. Def. ¶¶ 24-26). ***Dated documentary evidence*** of the GeForce2 Go product was also provided. *See* Exhibit 1. (N. Def. ¶ 25). Thus, MOSAID *knew* that PowerMizer products were prior art to its '885 and '811 patent applications, it *believed* that PowerMizer practiced its '306 patent, and it *knew* that the Patent Examiner would reject the '885 and '811 patents if prior art existed that practiced the claims of the '306 patent. (N. Def. ¶¶ 45-47, 55-57). From these facts, materiality is clear and was pled. If MOSAID had disclosed the NVIDIA PowerMizer product, the Examiner would not have allowed the claims of the '885 and '811 but rather would have adhered to his own statements about those claims being not patentably distinct from the claims of the '306 patent in view of MOSAID's assertions of infringement. (N. Def. ¶¶ 50, 60-61).

In its motion, MOSAID asserts that Defendants pleadings are insufficient because they lack "any mapping of the alleged documentation to the claim limitations." (MOSAID Mot. at 6). Such requirements are applicable to withheld prior art references – not withheld products. *See*

³ Ultimately, MOSAID filed a terminal disclaimer to resolve this rejection.

MedioStream, Inc. Case No 2:080CV-369-CE, Dkt. No. 508 at *5; *see also Indiana Forge v. Miller Veneers, Inc.*, 736 F. Supp.2d 1201, 1209-10 (S.D. Ind. 2010) (holding that materiality for a prior sale was established by a declaration from an inventor stating that a product which led to the patent was on sale more than one year prior to filing).

MOSAID will likely argue in reply that it did not believe NVIDIA's statements about the prior art PowerMizer product to be correct and that it was specifically accusing a later generation of the PowerMizer. This assertion, however, would not support MOSAID. In determining whether to strike a pleading under Rule 12(b)(6) and Rule 12(f), the pleadings must be taken on their face. *See Histon v. King & Spalding*, 467 U.S. 69, 73 (1984) (stating that "[a]t this stage of the litigation, we must accept petitioner's allegations as true. A court may dismiss a complaint only if it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations.") And, here, Defendants allege that the specific functionality identified by MOSAID as allegedly infringing in the later generation products was also present in the prior art PowerMizer product and MOSAID knew it. *See* Exhibit 1. (N. Def. ¶¶ 24-26). It is irrelevant at this stage whether MOSAID disagrees or disputes the underlying facts as long as they are pled with sufficient specificity, which they are.⁴

C. Defendants' Pleadings Allege Facts Sufficient to Infer Intent to Deceive

MOSAID also argues that that Defendants' pleadings include only "bare assertion[s]" and are "devoid of any facts" that support a reasonable inference of intent to deceive. (MOSAID Mot. at 7.) MOSAID is wrong. Defendants' pleadings include sufficient factual allegations from which a reasonable inference can be drawn that: (1) MOSAID and its representatives

⁴ Additionally, once put on notice about a prior art product, MOSAID, as the patent applicant, has the burden to investigate and disclose if material. *See Brassler v. Stryker Sales Corp.*, 267 F.3d 1370, 1383 (Fed. Cir. 2001) ("Once an attorney...has notice that information exists that appears material and questionable, that person cannot ignore that notice in an effort to avoid his or her duty to disclose").

including Phillip Shear and/or James M. Smith had knowledge of PowerMizer during the prosecution of the '885 and '811 patents; and (2) MOSAID and its representatives including Phillip Shear and/or James M. Smith possessed a specific intent to deceive the PTO by not disclosing PowerMizer and the GeForce2Go product, which included it. *See Exergen*, 575 F. 3d at 1328-30; *see also MedioStream, Inc.* Case No 2:080CV-369-CE, Dkt. No. 508 at *5 (holding that for *Exergen* analysis “[t]he Court may reasonably infer deceptive intent from an applicant's failure to disclose prior art he knows or believes to be material to patentability”).

For example, the Defendants’ pleadings include the following factual allegations:

- Phillip Shear and James M. Smith were involved in the prosecution of the '885 and '811 patents and owed a duty of candor and good faith to the PTO (N. Def. ¶¶ 17-20, 32);
- Phillip Shear was directly involved in the pre-suit negotiations with NVIDIA (N. Def. ¶ 27);
- Phillip Shear is responsible for MOSAID’s legal strategy and disclosure obligations (N. Def. ¶ 16);
- As of September 2009, MOSAID asserted that NVIDIA products with PowerMizer infringed the '306 patent (N. Def. ¶ 21);
- As of February 2010, MOSAID was informed that the '084 and '281 patents were relevant to the '306 patent (N. Def. ¶ 23);
- As of July 2010, MOSAID was informed and knew that the GeForce2Go with PowerMizer was sold more than 1 year before the priority date of the '885 and '811 patents (N. Def. ¶¶ 24-26);

- James M. Smith chose to disclose the '084 and '281 patents to the Patent Office, but chose not to disclose that PowerMizer was prior art (N. Def. ¶¶ 30-31);
- James M. Smith and Phillip Shear chose not to disclose that MOSAID's assertions regarding PowerMizer (N. Def. ¶¶ 30-31);
- The Patent Office informed James M. Smith that the claims of the '885 and '811 patents were not patentably distinct over the claims of the '306 patent (N. Def. ¶¶ 40, 50);
- MOSAID disclaimed the '885 patent over the '306 patent; (N. Def. ¶ 41);
- James M. Smith filed the terminal disclaimer for the '885 patent (N. Def. ¶ 41);
- MOSAID disclaimed the '811 patent over the '306 patent (N. Def. ¶ 52);
- James M. Smith filed the terminal disclaimer for the '811 patent (N. Def. ¶ 52);
- MOSAID never disclosed NVIDIA's prior art PowerMizer product to the PTO nor that MOSAID believed that the PowerMizer practiced the claims of the '306 patent which the Patent Office had stated were not patentably distinct from the claims of the '811 and '885 patents (N. Def. ¶¶ 50, 60); and
- MOSAID still asserts that PowerMizer infringes the '306 and '885 patents (N. Def. ¶¶ 36, 50, 60).

These factual assertions are more than adequate to reasonably infer that (1) MOSAID and its representatives, including Phillip Shear and/or James M. Smith, knew that the GeForce2Go and PowerMizer feature were relevant to the applications that issued as the '885 and '811 patents; and (2) MOSAID and its representatives, including Phillip Shear and/or James M. Smith withheld this information with a specific intent to deceive the PTO. The fact that MOSAID disclosed two prior art patents from the same meetings, but not this fatal Catch-22 product, raises

an inference of intent to deceive. Unlike a prior art patent or publication – which an applicant can always try to argue is different than the claims – here, MOSAID was stuck with the fact that the very thing they said the claim covered was already on sale in the prior art.

This reasonable inference – that MOSAID disclosed the prior art they could try to argue around but not the prior art for which they had no response – is well within the kind of reasonable inference permitted by the Federal Circuit in post-*Exergen* caselaw. For example, the Federal Circuit has recently found a pleading to be sufficient where “[a] reasonable jury could *infer* that Dr. Ramming [the patentee] knew of the prior use, appreciated that the prior use was material, and decided not to disclose that information to the PTO, with deceptive intent.” *Delano Farms Co. v. California Table Grape Commission et al.*, 655 F.3d 1337, 1340 (Fed. Cir. 2011) (emphasis added). *See, also, Weatherford Intern., Inc. v. Halliburton Energy Servs., Inc.*, 2011 WL 902243, at *5 (E.D. Tex. 2011) (finding the intent requirement was met where the underlying factual basis was the prosecuting attorney’s knowledge of proper PTO procedures).

IV. CONCLUSION

For each of these reasons, Defendants’ inequitable conduct allegations satisfy the heightened pleading standards of Rule 9(b) and the requirements of *Exergen*. Those allegations establish the materiality of MOSAID’s inequitable conduct and provide sufficient factual basis to show MOSAID’s knowledge of the PowerMizer prior art product and to reasonably infer a specific intent to deceive the PTO. Defendants therefore request that the Court deny MOSAID’s motion in its entirety. In the alternative, if the Court believes that some portion of Defendants’ pleadings is defective, Defendants request leave to supplement their allegations accordingly.

Dated: November 17, 2011

Respectfully submitted,

By: /s/ David M. Hoffman

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served on November 17, 2011 to all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by email and/or fax.

/s/David M. Hoffman
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