

No. 12-

---

IN THE

**Supreme Court of the United States**

SONY COMPUTER ENTERTAINMENT AMERICA LLC,  
ELECTRONIC ARTS INC., HARMONIX MUSIC SYSTEMS,  
INC., AND VIACOM INC.

*Petitioners,*

—v.—

1<sup>ST</sup> MEDIA, LLC

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED  
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

---

**PETITION FOR A WRIT OF CERTIORARI**

---

Abran J. Kean

*Counsel of Record*

ERISE IP, P.A.

5300 DTC Parkway, Suite 210

Greenwood Village, CO 80111

Phone: 720.689.5440

abran.kean@eriseip.com

Eric A. Buresh

ERISE IP, P.A.

6201 College Blvd., Suite 300

Overland Park, KS 66211

*Attorneys for Petitioner*

*Sony Computer Entertainment America LLC*

*(Additional Counsel Listed on Signature Page)*



**QUESTION PRESENTED**

1. Did the Court of Appeals for the Federal Circuit err in restricting district courts' equitable discretion in evaluating patent unenforceability, contrary to this Court's precedent in *Keystone Driller*, *Hazel-Atlas*, and *Precision Instrument*, by applying a rigid test that (a) forecloses district courts from considering the entire circumstantial record; and (b) precludes district courts from granting equitable remedies where a patent applicant has violated the PTO's duty of candor.

**PARTIES TO THE PROCEEDING**

Petitioners are Sony Computer Entertainment America LLC, Electronic Arts Inc., Harmonix Music Systems, Inc., and Viacom Inc. Respondent is 1<sup>st</sup> Media LLC.

**RULE 29.6 CORPORATE DISCLOSURE  
STATEMENT**

Petitioner Sony Computer Entertainment America LLC is a wholly-owned subsidiary of Sony Corporation of America, and is an indirect subsidiary of Sony Corporation. Sony Computer Entertainment America LLC has no additional corporate or other parents, subsidiaries, or affiliates that own 10 percent or more of its stock. Petitioner Electronic Arts Inc. has no parent corporation, and no publicly held corporation owns 10 percent or more of its stock. Harmonix-SBE Holdings LLC is the parent company for Petitioner Harmonix Music Systems, Inc., and no publicly held corporation owns 10 percent or more of Harmonix Music Systems, Inc.'s stock. Petitioner Viacom Inc. has no parent corporation, and no publicly held corporation owns 10 percent or more of its stock.

**TABLE OF CONTENTS**

QUESTION PRESENTED .....	i
PARTIES TO THE PROCEEDING .....	ii
RULE 29.6 CORPORATE DISCLOSURE STATEMENT.....	iii
TABLE OF CONTENTS.....	iv
TABLE OF APPENDICES .....	vi
TABLE OF AUTHORITIES .....	vii
PETITION FOR CERTIORARI.....	1
OPINIONS BELOW .....	1
JURISDICTION.....	1
STATUTORY AND REGULATORY PROVISIONS INVOLVED.....	1
STATEMENT OF THE CASE.....	2
I. The Patent Application .....	2
A. The Co-pending ‘423 Application and Rejection Over Baji.....	4
B. The Co-pending ‘001 Application and Rejection Over Hoarty.....	6
C. The EPO Counterpart Application and Rejection Over Bush.....	7
II. The District Court Proceedings .....	8
III. The Federal Circuit’s Decision .....	10

REASONS FOR GRANTING THE PETITION.....	13
I. The Court Should Grant Review to Restore Flexibility and Discretion to the Inequitable Conduct Doctrine.....	13
A. The Federal Circuit Created a Rigid Formula for Inequitable Conduct .....	14
B. The Federal Circuit’s Formula Improperly Restricts District Court Discretion.....	17
II. The Court Should Grant Review to Restore Equitable Discretion for All Violations of the PTO’s Duty of Candor .....	20
III. This Case Provides an Ideal Vehicle to Restore Equitable Flexibility .....	25
CONCLUSION.....	27

**TABLE OF APPENDICES**

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DATED SEPTEMBER 13, 2012.....1a

APPENDIX B — FINDINGS OF FACT AND CONCLUSIONS OF LAW OF THE UNITED STATES DISTRICT COURT, DISTRICT OF NEVADA, DATED APRIL 23, 2010.....20a

APPENDIX C — ORDER DENYING PETITION FOR REHEARING AND REHEARING EN BANC OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED DECEMBER 3, 2012.....86a

APPENDIX D — RELEVANT STATUTORY & MANUAL OF PATENT EXAMINING PROCEDURE PROVISIONS.....88a

APPENDIX E— JUDGMENT, UNITED STATES DISTRICT COURT, DISTRICT OF NEVADA, FILED APRIL 26, 2010.....96a



## TABLE OF AUTHORITIES

### CASES

<i>Aventis Pharma S.A. v. Hospira, Inc.</i> , 675 F.3d 1324 (Fed. Cir. 2012).....	10, 11
<i>Columbus Bd. of Educ. v. Penick</i> , 443 U.S. 449 (1979) .....	16
<i>Hazel-Atlas Glass Co. v. Hartford-Empire Co.</i> , 322 U.S. 238 (1944) .....	13, 16, 21
<i>Holmberg v. Armbrecht</i> , 327 U.S. 392 (1946) .....	16
<i>Keystone Driller Co. v. Gen. Excavator Co.</i> , 290 U.S. 240 (1933) .....	13, 14, 16, 21
<i>KSR Int’l Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007) .....	14
<i>Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.</i> , 324 U.S. 806 (1945) .....	13, 16, 17, 21
<i>Therasense Inc. v. Becton, Dickinson and Co.</i> , 649 F.3d 1276 (Fed. Cir. 2011).....	<i>passim</i>
<i>Weinberger v. Romero-Barcelo</i> , 456 U.S. 305 (1982) .....	16

**STATUTES**

28 U.S.C. § 1254(1) ..... 1  
35 U.S.C. § 282(b) ..... 1

**OTHER AUTHORITIES**

37 C.F.R. § 1.56 ..... 2, 20  
Manual of Patent Examining Procedure  
§ 2001.06(a), 2001.06(b) (Fifth Edition,  
Revision 14) ..... 3

## **PETITION FOR CERTIORARI**

Sony Computer Entertainment America LLC, Electronic Arts Inc., Harmonix Music Systems, Inc., and Viacom Inc. respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit, insofar as it reversed the district court's finding that the patent asserted in this case is unenforceable due to inequitable conduct.

## **OPINIONS BELOW**

The opinion of the United States Court of Appeals for the Federal Circuit (App. at 1a) is reported at 694 F.3d 1367. The findings and conclusions of the United States District Court for the District of Nevada (App. at 20a) are not reported in the Federal Supplement.

## **JURISDICTION**

The Federal Circuit denied a petition for rehearing en banc on December 3, 2012. (App. at 86a). This petition is thus timely. Jurisdiction is conferred by 28 U.S.C. § 1254(1).

## **STATUTORY AND REGULATORY PROVISIONS INVOLVED**

35 U.S.C. § 282(b) provides: "The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) noninfringement, absence of liability for infringement or unenforceability...." (Full Statutory Text in App. at 88a-89a).

37 C.F.R. § 1.56 provides: “(a) A patent by its very nature is affected with the public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. . . . The Office encourages applicants to carefully examine:

(1) Prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) The closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office....” (Full Regulation Text in App. at 90a-92a).

## **STATEMENT OF THE CASE**

### **I. The Patent Application**

The patent asserted in this case, U.S. Patent No. 5,464,946 (“the Asserted Patent”), issued from one of several related applications filed, in the United States and abroad, by named inventor Dr. Scott Lewis and his patent attorney Joseph Sawyer. (App. at 30a-31a). Throughout prosecution of these applications, the United States Patent and Trademark Office and foreign patent offices

identified numerous prior art references in rejecting claims for patentability. (App. at 23a-25a). The USPTO's examination guidelines at the time expressly required the disclosure of these references as part of the applicant's duty of candor. *See* Manual of Patent Examining Procedure §§ 2001.06(a), 2001.06(b) (Fifth Edition, Revision 14 in App. at 93a). Yet, despite this duty of candor, not a single prior art reference was ever cited by Lewis or Sawyer during prosecution of the Asserted Patent. (App. at 24a). Consequently, the Asserted Patent issued without the USPTO ever having an opportunity to consider prior art used to reject similar claims in related domestic and foreign patent applications. (App. at 39a, 59a).

The application that issued as the Asserted Patent was mailed to the USPTO on November 13, 1992, listing Lewis as the sole inventor and Sawyer as the prosecuting attorney.<sup>1</sup> (App. at 31a). As submitted, the application included 31 claims, including as-filed independent claim 18, which claimed a "multimedia information entertainment system" having three components. (App. at 31a-32a). These components were described using three terms that were coined by Lewis and that were otherwise unknown in the field: (1) interactive multimedia mastering system (IMM); (2) interactive multimedia device (IMD); and (3) multimedia call processing system (MCPS). (App. at 33a).

On September 14, 1994, USPTO Examiner Witkowski rejected all claims as either anticipated or obvious in view of five prior art references: (1) U.S.

---

<sup>1</sup> Because the submitted application was incomplete, the official filing date accorded to the Asserted Patent is February 11, 1993.

Patent No. 1,213,804 to Cahill; (2) U.S. Patent No. 5,194,682 to Okamura; (3) U.S. Patent No. 5,247,126 to Okamura; (4) U.S. Patent No. 5,250,747 to Tsumura; and (5) U.S. Patent No. 5,296,643 to Kuo. (App. at 34a). Of note, Examiner Witkowski notified Lewis and Sawyer that Tsumura disclosed the concept of karaoke, and explained that it would be obvious to combine other references, such as Cahill, with the karaoke concept of Tsumura.

On February 21, 1995, Lewis and Sawyer responded to the rejection of claim 18 by contending that none of the cited references disclosed the MCPS component. (App. at 34a). Thereafter, Lewis and Sawyer conducted an interview with Examiner Witkowski on April 26, 1995. The interview summary indicates that claim 18 was to be limited to a karaoke device by examiner's amendment. Shortly after the interview, a Notice of Allowance issued on May 2, 1995, and Sawyer submitted the issue fee on August 1, 1995. (App. at 35a). After a nearly three-year pendency in the USPTO, the Asserted Patent issued on November 7, 1995, with claim 18 renumbered as issued claim 16. *Id.* Neither Lewis nor Sawyer ever submitted prior art at any point during prosecution of the Asserted Patent. (App. at 83a).

#### **A. The Co-pending '423 Application and Rejection Over Baji**

On the same day that Lewis and Sawyer mailed the application that issued as the Asserted Patent, they also submitted a second application that later issued as U.S. Patent No. 5,325,423. (App. at 51a). Like the Asserted Patent, the '423 application included a claim (claim 7) that recited components

using the same coined IMM, IMD, and MCPS terminology. (App. at 52a). The overlap was not limited to the claims. (App. at 54a). Indeed, the IMM, IMD, and MCPS components were described identically in seven columns of written description copied between the '423 application and the Asserted Patent. *Id.* And the preferred embodiments of the IMM, IMD, and MCPS components were illustrated with seven substantially identical figures shared by the two applications. *Id.*

The '423 application was reviewed by a different Examiner than the Asserted Patent. (App. at 52a). On July 16, 1993, USPTO Examiner Chan rejected claim 7 as anticipated by, among other references, U.S. Patent No. 5,027,400 to Baji. (App. at 53a). Examiner Chan explicitly noted that Baji disclosed the IMM, IMD, and MCPS components, and cited the specific passages in Baji that were relevant to each. *Id.* Lewis and Sawyer never contested this rejection. *Id.* Instead, on October 29, 1993, Lewis and Sawyer cancelled claim 7. *Id.* No prior art was ever submitted by either Lewis or Sawyer at any point during prosecution of the '423 application. Although the Asserted Patent was pending during this entire timeframe, and although Examiner Chan noted that Baji disclosed the IMM, IMD, and MCPS also claimed in the Asserted Patent, neither Lewis nor Sawyer disclosed Baji to Examiner Witkowski. (App. at 55a). And Examiner Witkowski never independently located or cited Baji during the prosecution of the Asserted Patent. *Id.*

### **B. The Co-pending '001 Application and Rejection Over Hoarty**

After cancelling claim 7 of the '423 application, Lewis and Sawyer filed another application in the USPTO on June 24, 1994, as a continuation-in-part of the '423 application. (App. at 55a). This third application issued as U.S. Patent No. 5,564,001. *Id.* Like the applications for the Asserted Patent and '423 patent, the '001 application included a claim (claim 1) that recited the same coined IMM, IMD, and MCPS terminology. (App. at 56a-57a). Again, the overlap was not limited to the claims, and the '001 application included the same copied portions of the written description and figures that were part of the '423 application. (App. at 58a).

Review of the '001 application was assigned to a third and different Examiner. (App. at 57a). On June 12, 1995, USPTO Examiner Hong rejected claim 1 of the '001 application as obvious in view of U.S. Patent No. 5,220,420 to Hoarty. *Id.* Examiner Hong explicitly noted that Hoarty disclosed the IMM, IMD, and MCPS components, and cited specific passages in Hoarty that were relevant to each. (App. at 57a-58a). Once again, Lewis and Sawyer never contested this rejection and, instead, cancelled claim 1. (App. at 58a). No prior art was ever submitted by either Lewis or Sawyer at any point during the prosecution of the '001 application.

As with the '423 application, although the rejection and cancellation of claim 1 of the '001 application occurred while the Asserted Patent was pending in the USPTO, neither Lewis nor Sawyer disclosed Hoarty to Examiner Witkowski. (App. at 58a). And Examiner Witkowski never independently



located or cited Hoarty during the prosecution of the Asserted Patent. (App. at 59a).

### **C. The EPO Counterpart Application and Rejection Over Bush**

On November 11, 1993, Lewis and Sawyer filed International Patent App. No. PCT/US93/10930 under the Patent Cooperation Treaty. (App. at 36a). This international filing eventually yielded, in the national phase, European Patent App. No. EP 94 901 432.8 (collectively, “the EPO Counterpart”). (App. at 35a). The EPO Counterpart included identical written description, figures, and claims as the application that issued as the Asserted Patent. (App. at 36a).

The USPTO acted as the initial Receiving Office for this PCT filing, and the application was assigned to Examiner Witkowski, who was already assigned to the Asserted Patent. *Id.* On April 21, 1994, Examiner Witkowski completed the PCT International Search Report and identified the same five prior art references listed above that he would later cite in the USPTO in connection with the Asserted Patent. (App. at 37a). Thereafter, the European Patent Office took over examination. *Id.*

On June 27, 1995, EPO Examiner Pulluard completed a Supplementary Search Report that identified a sixth reference: International Publication No. WO-A-90 01243 to Bush. *Id.* Examiner Pulluard’s report identified specific page, line, and figure numbers in Bush as particularly relevant to claim 18 of the EPO Counterpart. *Id.* Sawyer, the prosecuting attorney of the Asserted Patent, received the report on July 24, 1995, while the Asserted Patent was still pending. (App. at 38a).

Nevertheless, neither Lewis nor Sawyer disclosed Bush to the USPTO, and Examiner Witkowski never located or cited Bush during the prosecution of the Asserted Patent. (App. at 38a-39a).

After the Asserted Patent issued, an EPO examiner rejected all of the claims in the EPO Counterpart. (App. at 40a). In this rejection, the EPO identified Bush as the primary reference in denying patentability, and characterized Bush as the “closest prior art document” in rejecting claim 18. *Id.* Lewis and Sawyer did not contest the EPO’s decision, and the EPO later deemed the EPO Counterpart to be withdrawn and prosecution was closed.

## **II. The District Court Proceedings**

Plaintiff (now Respondent) 1<sup>st</sup> Media sued Defendants Electronic Arts Inc., Harmonix Music Systems, Inc., Viacom Inc., and Sony Computer Entertainment America Inc. (the predecessor-in-interest of Petitioner Sony Computer Entertainment LLC), for infringement of the Asserted Patent. (App. at 21a). Defendants (now Petitioners) pled affirmative defenses and declaratory judgment counterclaims of inequitable conduct, alleging that the Asserted Patent is unenforceable. *Id.* Defendants alleged in considerable detail that Lewis, the owner of 1<sup>st</sup> Media and named inventor on the Asserted Patent, and Sawyer, the prosecuting attorney, withheld known material references with specific intent to deceive the PTO. (App. 21a-22a).

At the parties’ request, the district court focused initial proceedings on the inequitable conduct claims, and stayed other matters until after resolution of

that issue. (App. at 22a). On February 25 and 26, 2010, Judge Mahan conducted a bench trial on the inequitable conduct claims. (App. at 22a-23a). Lewis and Sawyer testified live at trial, and Judge Mahan was able to directly assess their credibility. (App. at 24a-26a). The parties also submitted expert declarations primarily directed to the materiality of the withheld references, including explanations from Petitioners' expert as to how each of the withheld prior art references disclosed each element of asserted claim 16. (App. at 22a, 40a, 60a, 62a).

After considering the totality of the evidence, Judge Mahan found that both Lewis and Sawyer had engaged in inequitable conduct by withholding, among other things, Bush, Baji, and Hoarty. (App. at 25a-26a). Judge Mahan concluded that the circumstantial record showed, by clear and convincing evidence, that both men knew that each withheld reference was material and, despite this knowledge, neither disclosed any prior art to the PTO at any point in the application process of the Asserted Patent. (App. at 83a-84a). Further, the district court noted that the testimony of both Lewis and Sawyer lacked credibility. *Id.* The district court concluded that Lewis and Sawyer withheld material information with a specific intent to deceive the PTO. (App. at 25a). Balancing the equities, the district court found that both Lewis and Sawyer engaged in inequitable conduct, rendering the Asserted Patent unenforceable. (App. at 83a-84a). The district court entered judgment on April 23, 2010, and judgment was filed on April 26, 2010. (App. at 96a-97a).

### III. The Federal Circuit's Decision

The Federal Circuit reversed the district court's judgment without remand. Reviewing the record of circumstantial evidence considered by Judge Mahan, the Federal Circuit determined that "Appellees cannot prove on this record that either Lewis or Sawyer made a deliberate decision to withhold references from the PTO." (App. at 19a).

1. With regard to Bush, the Federal Circuit rejected the inference that Lewis and Sawyer deliberately chose to withhold the reference. "[T]he evidence shows, at best, that Lewis and Sawyer knew Bush was material. An applicant's knowledge of a reference's materiality, however, cannot by itself prove, let alone clearly and convincingly prove, that any subsequent non-disclosure was based on a deliberate decision." (App. at 15a-16a). "Whatever one might conclude about Lewis's and Sawyer's conduct and interactions relating to the Bush reference, and the nature of Sawyer's practice at the relevant time, the record does not support the inference that Lewis and Sawyer deliberately chose to withhold Bush." (App. at 14a).

The Federal Circuit then provided an example of what would satisfy its new deliberate decision test. In a case where inequitable conduct was affirmed, "there was affirmative conduct by the applicants showing not only specific awareness of materiality, but careful and selective manipulation of where, when, and how much of the most material information to disclose." (App. at 15a) (citing *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324, 1335-36 (Fed. Cir. 2012)). "Evidence of such selective disclosure is not present here." *Id.*

The Federal Circuit did not overturn the district court's finding that Lewis and Sawyer knew Bush was material. (App. at 16a). Instead, the district court's judgment was overturned because "nowhere in the district court's analysis did it cite any evidence of a deliberate decision to withhold Bush from the PTO." *Id.*

The Federal Circuit also objected to the district court's reliance on discredited testimony as part of the circumstantial record. "[T]he district court clearly erred in relying on Lewis and Sawyer's inability to offer a good faith explanation as a basis to infer a deliberate decision to withhold Bush." *Id.*

2. Likewise, with regard to Baji, the Federal Circuit concluded that "there is no evidence, such as the evidence of a selective disclosure that occurred in *Aventis Pharma*, suggesting that Lewis and Sawyer must have deliberately withheld Baji." (App. at 17a). The Federal Circuit again dismissed the district court's credibility findings, and found clear error. "That Lewis's and Sawyer's testimony was not credited by the district court does not overcome the shortcomings in Appellees' proof." *Id.*

3. The district court's findings based on Hoarty were reversed on similar grounds. The Federal Circuit held: "At bottom, there is simply no evidence that Lewis and Sawyer deliberately withheld Hoarty from the PTO, and there can be no inference that they intended to deceive the PTO." (App. at 18a).

"Ultimately, for all of the references, the evidence supports only that Lewis and Sawyer (1) knew of the references, (2) may have known they were material (which this Court does not reach), and (3) did not inform the PTO of them. But that is not enough. As

*Therasense* made clear, a defendant must prove that an applicant (1) ‘knew of the reference,’ (2) ‘knew it was material,’ and (3) ‘made a *deliberate decision* to withhold it’. It is the last requirement that is missing from the record developed in this case.” (App. at 18a-19a) (internal citation omitted) (emphasis in original). “Because Appellees cannot prove on this record that either Lewis or Sawyer made a deliberate decision to withhold references from the PTO, and because Appellees acknowledged that the record is complete, this court reverses.” (App. at 19a).

Petitioners sought *en banc* review of the Federal Circuit’s opinion. *En banc* review was denied on December 3, 2012. (App. at 87a).

## REASONS FOR GRANTING THE PETITION

Patents convey a singular privilege, and the public maintains “a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct....” *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). As the common law doctrine of inequitable conduct has evolved below, it has eschewed traditional notions of equitable flexibility outlined in this Court’s precedent. See *Precision Instrument*, 324 U.S. at 816; *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 250-51 (1944); *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245-46 (1933). Instead, a formula has emerged that divests equitable discretion from district courts and centralizes authority at the Federal Circuit. The doctrine is now both too rigid and too narrow. This Court should grant review to restore “the free and just exercise of discretion” that has been lost along the way. See *Keystone Driller*, 290 U.S. at 245-46.

### **I. The Court Should Grant Review to Restore Flexibility and Discretion to the Inequitable Conduct Doctrine**

The inequitable conduct doctrine is too rigid because the Federal Circuit now precludes district courts from considering the totality of the circumstantial record. The common law doctrine of inequitable conduct is rooted in a trio of cases from this Court that applied the doctrine of unclean hands to dismiss patent cases involving misconduct. See *Precision Instrument*, 324 U.S. at 816; *Hazel-Atlas*, 322 U.S. at 250-51; *Keystone Driller*, 290 U.S. at 245-46. This Court’s precedent embraced traditional

notions of equitable jurisdiction and, in evaluating patent unenforceability, district courts were “not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.” *Keystone Driller*, 290 U.S. at 245-46. The Federal Circuit’s formula now restricts the discretion that should be reserved to district courts. (App. at 1a); *see also, e.g., KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 421 (2007) (Reversing the Federal Circuit’s judgment on patent obviousness and noting, in that context, that “[r]igid preventative rules that deny factfinders recourse to common sense...are neither necessary under our case law nor consistent with it.”).

#### **A. The Federal Circuit Created a Rigid Formula for Inequitable Conduct**

Before the Federal Circuit recently reviewed inequitable conduct *en banc*, a broad consensus had emerged that the doctrine was broken and in need of adjustment. *See Therasense Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276, 1302 (Fed. Cir. 2011) (*en banc*) (Bryson, J., dissenting). Well-intentioned, but ultimately misguided, jurisprudence had lowered inequitable conduct standards over the years, resulting in unintended consequences for both patent litigation and PTO practice. *See id.* at 1287-90. In patent lawsuits, doctrinal uncertainty increased adjudication costs, reduced likelihood of settlement, and burdened courts. *See id.* The low inequitable conduct standards also complicated the PTO’s review. Applicants were incentivized to over-disclose marginally-relevant information out of fear that, otherwise, they would risk a claim of inequitable conduct. *See id.* Given this incentive structure, it



was unsurprising that applicants flooded the PTO with information, straining the agency's resources and contributing to an expanding backlog of pending applications. *See id.*

Against this backdrop, the Federal Circuit set out to corral inequitable conduct in a closely divided *en banc* decision. *See Therasense*, at 1290-1320. The majority explained that an accused infringer must prove both materiality and intent by clear and convincing evidence. *See id.* at 1290-93. For intent, "the accused infringer must prove that the patentee acted with specific intent to deceive the PTO." *Id.* at 1290. In nondisclosure cases, "the accused infringer must prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it." *Id.* Several other rules also apply. First, negligence, or even gross negligence under a "should have known" standard is insufficient. *See id.* Instead, to show intent, actual knowledge of materiality must be established by clear and convincing evidence. Second, a "sliding scale" is prohibited, and intent and materiality must be independent inquiries. *See id.* Third, where intent is inferred from circumstantial evidence, the district court's inferential findings must be "the single most reasonable inference able to be drawn from the evidence." *See id.* Fourth, the absence of a good faith explanation alone does not prove intent to deceive. *See id.* For materiality, the majority announced a new but-for materiality standard, requiring courts to "determine whether the PTO would have allowed the claim if it had been aware of the undisclosed reference." *See id.* at 1291.

In a concurring opinion, Judge O'Malley expressed concern that the majority's formula

strains to impose black and white rules, and ignores that equity often requires courts to consider varying, and unpredictable, shades of gray. *See id.* at 1297-99 (O'Malley, J., concurring) (citing *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (“Flexibility rather than rigidity has distinguished” equitable jurisdiction.); *Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946) (“Equity eschews mechanical rules; it depends on flexibility.”)). This criticism is consistent with the tradition in this Court’s precedent that courts should not be “bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.” *Keystone Driller*, 290 U.S. at 246.

In response to this criticism, the majority notes a carve-out to its formula to account for this Court’s precedent. *See Therasense*, 649 F.3d at 1292-93 (creating an exception for “affirmative acts of egregious misconduct”). But the carve-out, which is limited to “affirmative” acts and does not capture breaches by omission, is flawed because it creates a rigid threshold as a prerequisite to the equitable discretion called for by this Court’s precedent. *See Precision Instrument*, 324 U.S. at 816; *Hazel-Atlas*, 322 U.S. at 250-51; *Keystone Driller*, 290 U.S. at 245-46. The flexibility embodied in this Court’s precedent should apply in all cases, not just those involving affirmative egregious misconduct.

The majority justifies its formula by emphasizing the impact of the remedy. Recognizing that inequitable conduct should hinge on fairness, the majority noted that the remedy should be commensurate with the violation. *See id.* at 1292 (quoting *Columbus Bd. of Educ. v. Penick*, 443 U.S. 449, 465 (1979)). But the majority took that

straightforward premise and turned it on its head. Rather than permitting district courts to craft a fair remedy based on circumstances of a particular violation, the majority worked backwards. The majority first concludes that there is but a single remedy for inequitable conduct: it “renders an entire patent (or even a patent family) unenforceable.” *See id.* Then, presuming that remedy to be immutable, the majority reasons that the doctrine should thus only apply in limited circumstances. The flaw here is that the “singular remedy [identified by the majority] is neither compelled by statute, nor consistent with the equitable nature of the doctrine.” *See id.* at 1299 (O’Malley, J., concurring). This Court has allowed other remedies. *See, e.g., Precision Instrument*, 324 U.S. at 816 (complaints and counterclaims dismissed).

This Court should grant review because the Federal Circuit has created a rigid formula that departs from the equitable flexibility embodied in this Court’s precedent. There is no requirement that the remedy must be inflexible, and there is no reason to limit this Court’s precedent to narrow instances of affirmative and egregious misconduct.

### **B. The Federal Circuit’s Formula Improperly Restricts District Court Discretion**

In application, the Federal Circuit’s formula restricts district courts’ discretion. The district court in this case evaluated the totality of the circumstances after a two-day bench trial, and concluded that the patent applicant and his lawyer had acted inequitably. The finding of deceptive intent was based, in part, on the district court’s

observation that “both men proved to be poor trial witnesses that the Court found to lack credibility.” (App. at 50a). The Federal Circuit objected to the district court’s exercise of discretion. Despite acknowledging that the circumstantial record supported findings that the applicants knew of the references, knew the references were material, and failed to disclose the known material references, the Federal Circuit concluded that there was no evidence the references were deliberately withheld. (App. at 15a-16a). The Federal Circuit also equated the discredited testimony with the absence of credible testimony, and concluded that “the district court clearly erred in relying on Lewis and Sawyer’s inability to offer a good faith explanation as *a basis* to infer a deliberate decision to withhold [references] from the PTO.” *Id.* Instead, the Federal Circuit’s formula requires that a threshold level of intent be met before a district court is permitted to consider discredited testimony. *Id.* In application, the Federal Circuit’s formula is too rigid for two reasons.

First, the Federal Circuit’s formula restrains one of the most important roles of a district court: assessing witness credibility. If left unchecked, the Federal Circuit’s formula would preclude district courts from considering discredited testimony until after a threshold level of intent has been met. The Federal Circuit does not define this threshold, nor does it give district courts any guidance for determining when the threshold has, and has not, been satisfied. And yet, as it did here, the Federal Circuit will find clear error where district courts consider discredited testimony as part of the totality of the circumstantial record before the undefined formulaic threshold has been met.

There may be room in an equitable doctrine for burden-shifting guidelines that explain the burden an accused infringer must satisfy before an applicant must provide an explanation. An equitable doctrine might also embrace the notion that the lack of an explanation, by itself, is not enough to support an inference of intent. But the Federal Circuit's formula fails to promote either of these ideals. Instead, the Federal Circuit prohibits consideration of important evidence until after a district court navigates through a rigid, step-by-step analytical framework. This construct creates the strange scenario where district courts are instructed to ignore the impact of witness testimony until after some undefined threshold has been triggered.

Second, the Federal Circuit's formula limits district courts' consideration of circumstantial evidence. Even though the Federal Circuit acknowledged here that the record supports several parts and sub-parts of its formula, the case was reversed because there was "no evidence" of a deliberate decision. The Federal Circuit's formula, as applied here, requires separate evidence for each part of its formula. This requirement overlooks the reality that circumstantial evidence might support multiple parts of the test. For instance, evidence demonstrating an applicant's knowledge of a reference and knowledge of its materiality might also support an inference that nondisclosure resulted from a deliberate decision, especially when coupled with a discredited explanation. The Federal Circuit forces district courts to disregard relevant evidence in an intent inquiry if it does not fit precisely within the Federal Circuit's rigid framework.

This Court should grant review because the Federal Circuit's formula is now so rigid that district courts are discouraged from considering the totality of the circumstances as part of their equitable analysis. District courts are instructed to ignore discredited witness testimony until some undefined threshold has been satisfied. And district courts are encouraged to ignore relevant evidence and, instead, seek independent evidence for each part and subpart of the Federal Circuit's formula. The rigidity of the Federal Circuit's jurisprudence has significantly departed from this Court's precedent, and review should be granted so this Court can restore the discretion and flexibility that are the essence of equitable analysis.

## **II. The Court Should Grant Review to Restore Equitable Discretion for All Violations of the PTO's Duty of Candor**

The inequitable conduct doctrine is also too narrow because the Federal Circuit's formula excludes the application of equitable discretion to remedy violations of the PTO's duty of candor. The public interest is best served when, during patent examination, the PTO is aware of all information material to patentability. *See* 37 C.F.R. § 1.56. Patent applicants thus have a duty of candor and good faith in dealing with the PTO, and the duty is violated when applicants fail to disclose known material information. *See id.* Although promoting candor and good faith is vital to a healthy patent system, the PTO's role and procedures afford it limited capability to police misconduct. Courts are better situated to evaluate evidence, balance equities, and craft remedies based on specific

circumstances. Where an asserted patent is tainted with misconduct, courts perform an important function, and preserve the integrity of the patent system, by disallowing enforcement of the ill-gotten patent. Traditionally, district courts have been granted a wide range of discretion in this arena, and were free to exercise their equitable judgment unbounded by formulas or limitations. *Precision Instrument*, 324 U.S. at 815; *Hazel-Atlas*, 322 U.S. at 250-51; *Keystone Driller*, 290 U.S. at 246.

The Federal Circuit's inequitable conduct formula now restricts that discretion, and substantially limits the important role of the trial court. Applying the *Therasense* formula in this case, the Federal Circuit concluded that the record could not support a finding that Lewis and Sawyer intended to deceive the PTO. (App. at 18a-19a). Notably, the Federal Circuit did not disagree with the district court's finding that Lewis and Sawyer knew that each of Bush, Baji, and Hoarty were material. *Id.* Instead, the Federal Circuit concluded that the Petitioners "cannot prove on this record that either Lewis or Sawyer made a deliberate decision to withhold references from the PTO." *Id.* The Federal Circuit reasoned that the record was insufficient because "there is no evidence, such as the evidence of a selective disclosure that occurred in *Aventis Pharma*, suggesting that Lewis and Sawyer must have deliberately withheld [the references]." (App. at 17a). There are three flaws with the Federal Circuit's formulaic approach.

First, the formula excludes violations of the PTO's duty of candor. Under the Federal Circuit's formula, district courts cannot exercise their discretion to find inequitable conduct where the

record shows the applicant: (1) knew of a duty of candor to the PTO; (2) knew of a reference; (3) knew that the reference was material; (4) failed to disclose the known material reference; and (5) provided discredited testimony in an attempt to explain the nondisclosure. Failing to disclose a known material reference is a violation of the PTO's duty of candor. Yet this violation is now beyond the reach of district courts' discretion. Even where the applicant knew of his duty before violating it, and even where a district court concludes that the applicant's explanations for the violation lacked credibility, the district court still cannot exercise its discretion to remedy the applicant's wrongdoing.

Second, the Federal Circuit's formula effectively excludes nondisclosure cases altogether. Where misconduct involves intentional inaction, the decision to not act is not typically documented. The Federal Circuit has acknowledged this reality, noting that "direct evidence of deceptive intent is rare." *Therasense*, 649 F.3d at 1290. Thus, "a district court may infer intent from indirect and circumstantial evidence." *Id.* This acknowledgement is superficial, though, because the Federal Circuit abandons the notion in application of its formula.

This case is illustrative. The formula requires a showing that an applicant made a deliberate decision to withhold a known material reference. If that decision need not be evidenced by direct evidence, then indirect and circumstantial evidence should be sufficient to support an inference that the applicant did indeed make a deliberate decision. Here, the record shows the applicant: (1) knew of a duty of candor to the PTO; (2) knew of a reference; (3) knew that the reference was material; (4) failed to



disclosure the known material reference; and (5) provided discredited testimony in an attempt to explain the nondisclosure. If direct evidence is not required then, on these facts, a district court should be permitted to consider whether to infer that the applicant made a deliberate decision to withhold the reference. But the Federal Circuit reversed without remand, thereby dramatically restricting the district court's equitable discretion.

Third, the formula creates a counter-productive incentive structure. Under the Federal Circuit's formula, unless an applicant documents the deceit, complete nondisclosure cannot support a finding of inequitable conduct because there is no evidence the applicant made a deliberate decision to withhold information from the PTO. In contrast, selective disclosure (submitting some references and not others), under the Federal Circuit's reasoning, shows that an applicant deliberately decided to withhold the undisclosed information. Consequently, it is now more risky to attempt honest compliance with the PTO's duty of candor than to ignore the duty altogether.

The Federal Circuit's formula provides a roadmap to dishonest applicants. To confidently deceive the PTO with impunity, submit nothing. So long as the decision-making is not documented, the dishonest applicant will not face consequences for withholding material information. Under the Federal Circuit's formula, there is no evidence in this circumstance to show a deliberate decision. Deceitful inaction is now beyond the reach of district courts' discretion.

Although its formula immunizes inaction, the Federal Circuit's formula forces honest applicants to

confront a difficult dilemma. In interactions with the PTO, an applicant can: (1) submit all known information, regardless of materiality; (2) submit only the information the applicant reasonably believes to be material, while withholding less important information; or (3) submit nothing, regardless of materiality. The first option is flawed because the disclosure is overbroad. By flooding the PTO with information, the applicant makes substantive review more difficult, because there is too much information for the PTO to fully review. The deluge of information strains the PTO's resources and adds to a backlog of pending applications. The third option is likewise flawed, this time because the withholding is overbroad. By submitting nothing, the applicant makes substantive review more difficult because the PTO is solely responsible for evaluating the state of the art. The PTO must proceed without the knowledge and insight of the applicant, and the PTO is unaware of prior art known to the applicant that might affect the outcome of its analysis.

The middle-ground embodied in the second option appropriately reflects the PTO's duty of candor and facilitates effective examination. The patent system and public interest are served where applicants are engaged in the examination process, and assist the PTO with identifying and evaluating the information most relevant to the application. But conduct most helpful to the PTO is now most risky to the applicant, because it places the applicant in the narrow shadow of selective disclosure created by the Federal Circuit's formula. The integrity and professionalism of the patent bar need not be

indicted to suggest that the resulting incentive structure is counter-productive.

This Court should grant review to restore district court discretion in all circumstances, including cases involving complete nondisclosure. In pursuit of a legitimate goal, the Federal Circuit departed from this Court's precedent. Now the inequitable conduct doctrine is defined so narrowly that some violations of the PTO's duty of candor are beyond the reach of district courts' equitable discretion. The resulting incentive structure discourages the forthright disclosures that the PTO's duty of candor should promote. Before, it was unsurprising that applicants flooded the PTO with prior art to shield themselves from allegations of nondisclosure. If the Federal Circuit's decision here is allowed to stand, it will be equally unsurprising when applicants now withhold prior art from the PTO to protect themselves from allegations of selective disclosure.

### **III. This Case Provides an Ideal Vehicle to Restore Equitable Flexibility**

The circumstances here effectively illustrate how the Federal Circuit's formula creates rigid requirements that divest discretion from district courts. The district court diligently undertook the complex task of developing a record of circumstantial evidence and balancing equities in light of conclusions founded in that record. Live testimony, expert declarations, and volumes of documentary evidence all informed the district court's exercise of discretion. This exercise was not something the district court took lightly, but the evidence compelled the difficult conclusion that Lewis and Sawyer

specifically intended to deceive the PTO by withholding multiple important references.

The Federal Circuit disagrees with the district court's conclusion. By applying a rigid test, the Federal Circuit effectively supplants the district court's discretion with its own. This context provides a unique opportunity to reinforce that traditional notions of equitable flexibility are no less applicable in patent cases than in other contexts.

The record in this case also provides an ideal vehicle to realign the patent unenforceability doctrine with the PTO's duty of candor. The record supports a finding that the PTO's duty of candor was violated (failure to submit a known material reference) on at least three separate occasions. The violations involve conduct that is explicitly identified as improper by the PTO. But because the Federal Circuit applies its formula so narrowly, the district court is precluded from even considering whether to exercise its discretion to remedy this misconduct. Patent unenforceability is an important doctrine and the unique facts established in this case provide an opportunity for this Court to realign the doctrine with the PTO's duty of candor.

**CONCLUSION**

For the reasons set forth above, the Court should grant the petition.

Respectfully submitted,

Abran J. Kean  
*Counsel of Record*  
ERISE IP, P.A.  
5300 DTC Parkway, Suite 210  
Greenwood Village, CO 80111  
720.689.5440  
abran.kean@eriseip.com

Eric A. Buresh  
ERISE IP, P.A.  
6201 College Blvd., Suite 300  
Overland Park, KS 66211

*Attorneys for Petitioner Sony  
Computer Entertainment America LLC*

Josh Krevitt  
GIBSON DUNN & CRUTCHER LLP  
200 Park Avenue  
New York, NY 10166-0193

*Attorney for Petitioners Electronic  
Arts Inc., Harmonix Music Systems,  
Inc., and Viacom Inc.*

Michael N. Edelman  
*Director, Litigation*  
James Y. Leong  
*Senior Corporate Counsel*  
Sony Computer Entertainment  
America LLC  
919 East Hillsdale Blvd.  
Foster City, CA 94404

## **APPENDIX**





1a

**APPENDIX A — OPINION OF THE UNITED  
STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT, DATED SEPTEMBER 13, 2012**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

2010-1435

1ST MEDIA, LLC,

*Plaintiff-Appellant,*

v.

ELECTRONIC ARTS, INC., HARMONIX MUSIC  
SYSTEMS, INC., AND VIACOM, INC.,

*Defendants-Appellees,*

AND

SONY COMPUTER ENTERTAINMENT  
AMERICA, INC.,

*Defendant-Appellee.*

Appeal from the United States District Court for  
the District of Nevada in No. 07-CV-1589, Judge James  
C. Mahan.

Decided: September 13, 2012

Before RADER, *Chief Judge*, LINN and WALLACH,  
*Circuit Judges.*

*Appendix A*

LINN, *Circuit Judge*.

1<sup>st</sup> Media, LLC (“1<sup>st</sup> Media”) is the assignee of U.S. Patent No. 5,464,946 (“’946 Patent”) and appeals from the United States District Court for the District of Nevada’s dismissal of 1<sup>st</sup> Media’s complaint alleging infringement of the ’946 Patent by Electronic Arts, Inc., Harmonix Music Systems, Inc., Viacom Inc., and Sony Computer Entertainment America LLC (collectively “Appellees”). *1<sup>st</sup> Media v. doPi Karaoke, Inc.*, No. 07-cv-1589 (Apr. 23, 2010) (“*1<sup>st</sup> Media*”). The court found that during prosecution of the ’946 Patent, the named inventor, Dr. Scott Lewis (“Lewis”), and his attorney, Joseph Sawyer (“Sawyer”), withheld from the United States Patent and Trademark Office (“PTO”) three material references and information about PTO rejections in two related prosecutions, thereby committing inequitable conduct and rendering the ’946 Patent unenforceable. Because the record contains no evidence of a deliberate decision to withhold those references from the PTO as required under *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*), and because Appellees admit that the record is complete, this court reverses.

## I. BACKGROUND

The ’946 Patent is titled “System and Apparatus for Interactive Multimedia Entertainment” and covers an entertainment system for use in purchasing and storing songs, videos, and multimedia karaoke information. On Lewis’s behalf, Sawyer filed the application that led to the ’946 Patent (“’946 Application”) on November 13,

*Appendix A*

1992. On September 14, 1994, the examiner rejected all claims of the '946 Application as anticipated or obvious in view of five prior art references. To overcome the rejections, Sawyer argued on February 21, 1995, that the claimed entertainment system included a multimedia call processing system, an element not found in the cited references. He also amended current claim 16 to limit it to karaoke devices. The examiner responded by issuing a Notice of Allowance on May 2, 1995; Sawyer paid the issue fee on August 1, 1995; and the PTO issued the '946 Patent on November 7, 1995.

While the '946 Application was pending, Sawyer prosecuted a number of other patent applications for related inventions made by Lewis. The applications relevant to this appeal are: (1) International Patent Application No. PCT/US93/10930 ("PCT Application"); (2) U.S. Patent Application No. 07/975,824, which became U.S. Patent No. 5,325,423 ("423 Patent"), and; (3) U.S. Patent Application No. 08/265,391, which became U.S. Patent No. 5,564,001 ("001 Patent").

The PCT Application, as filed on November 11, 1993, was identical to the as filed '946 Application, but was never amended to add the karaoke limitation. In a June 25, 1995, supplemental search report, a European Patent Office ("EPO") examiner cited as prior art International Publication WO 90/01243 ("Bush"), noting that Bush was a category "Y" reference, meaning it was particularly relevant if combined with another document of the same category. Sawyer received the supplemental European report citing Bush on July 24, 1995, eight days before he

*Appendix A*

paid the issue fee for the '946 Patent. Neither Lewis nor Sawyer ever disclosed the Bush reference to the PTO and Bush was not considered during the course of examination of the '946 Application. The EPO ultimately rejected the PCT Application on November 3, 1998, citing Bush as the closest prior art document.

Lewis filed the application that led to the '423 Patent ("423 Application") on the same day as the '946 Application. Large portions of the '423 Patent's specification are identical to the '946 Patent. Those portions include descriptions of terms Lewis coined—"interactive multimedia mastering system" ("IMM"), a "multimedia call processing system" ("MCPS"), and "interactive multimedia devices" ("IMD"). *Compare* '946 Patent col. 4 l. 62-col. 11 l. 63, *with* '423 Patent col. 6 l. 4-col. 13 l. 24. On July 16, 1993, an examiner rejected several claims of the '423 Application as anticipated by U.S. Patent No. 5,027,400 ("Baji"), which discloses what the examiner considered to be an IMM, MCPS, and IMD—the same components of the karaoke device covered by claim 16 of the '946 Patent. On October 29, 1993, Sawyer responded to the rejection by cancelling the rejected claims. The '423 Patent issued on June 28, 1994. Neither Lewis nor Sawyer ever disclosed Baji to the PTO, and the PTO did not consider the reference during prosecution of the '946 Patent.

On June 24, 1994, Lewis filed the application leading to the '001 Patent ("001 Application") as a continuation-in-part of the '423 Application. On June 12, 1995, an examiner contended that the IMM, MCPS, and IMD structures,

*Appendix A*

to the extent claimed, were disclosed in U.S. Patent No. 5,220,420 (“Hoarty”) and rejected independent claim 1 of the ’001 Application as obvious in view of Hoarty. On September 12, 1995, Sawyer replaced claim 1 with new claim 40, distinguishing Hoarty while retaining the IMM, MCPS, and IMD limitations. The ’001 Patent ultimately issued on October 8, 1996. Neither Lewis nor Sawyer ever disclosed Hoarty to the PTO, and the PTO did not consider the reference during prosecution of the ’946 Patent.

On November 29, 2007, 1<sup>st</sup> Media filed a complaint in the United States District Court for the District of Nevada alleging infringement of at least claim 16 of the ’946 Patent. Appellees asserted an inequitable conduct defense and also counterclaimed for declaratory judgment of inequitable conduct. The court bifurcated the case, focusing initial proceedings on the question of inequitable conduct. 1<sup>st</sup> Media moved to put its evidence on first, arguing that “[c]ommon sense dictates that a patentee should inform the Court of the background circumstances of patent procurement *before* an infringer steps in to attack the patentee.” Pl.’s Mot. *In Limine* #1: To Confirm the Normal Order of Proofs at 2, 1<sup>st</sup> Media (Aug. 21, 2009), ECF No. 204. Appellees opposed the motion, arguing that because they had the burden to prove inequitable conduct, they should present their evidence first. The court agreed with the Appellees and held a bench trial on February 25 and 26, 2010, allowing Appellees to begin with a direct examination of Lewis.

At trial, Appellees alleged five incidents of inequitable conduct, three based on the failure to cite references, and

*Appendix A*

two based on the failure to disclose rejections in the '423 and '001 Patent prosecutions that respectively brought to light two of those references. Because the Appellees do not rely on appeal on the non-disclosure of the rejections themselves as a basis for affirming the district court's decision, we consider those grounds conceded and address only the allegations of inequitable conduct relating to the three references noted. Appellee's Br. 55 n.18.

With respect to the three references, both Lewis and Sawyer testified that they did not appreciate the materiality of any of them. Lewis testified under direct examination by Appellees that nondisclosure of the Bush reference was "an oversight that got lost in the cracks at that time and wasn't a conscious decision not to report [it]." Tr. of Inequitable Conduct Hr'g, Day One at 183, *1<sup>st</sup> Media* (Feb. 25, 2010), ECF No. 267 ("Day One Tr."). Although Sawyer testified that he could not recall why he did not disclose the Bush reference, Appellees pointed to his previous declaration in which he claimed that "the Bush publication itself never sparked an awareness or belief in my mind that Bush should be disclosed." Tr. of Inequitable Conduct Hr'g, Day Two at 134, *1<sup>st</sup> Media* (Feb. 26, 2010), ECF No. 270 ("Day Two Tr."). Sawyer also testified that he generally considered patentability issues in a case only during what he termed "active prosecution," or the time between the first office action and the notice of allowance. *Id.* at 149. During the time period that Sawyer was prosecuting the '946 Patent, he had newly set up a solo office out of his home and characterized his practice as being at times "very active." *Id.* at 153 (Sawyer's testimony that he was handling about 170 open prosecution files by

*Appendix A*

the end of 1995). As for the Baji and Hoarty references, Lewis and Sawyer each testified that the technology in the co-pending '423 and '001 Applications was so distinct from the '946 Application that it did not occur to them to disclose Baji or Hoarty during prosecution of the '946 Patent.

The district court found their explanations not credible. Findings of Fact and Conclusions of Law Following Trial on Inequitable Conduct at 4, *1<sup>st</sup> Media* (Apr. 23, 2010), ECF No. 276 (“Findings”) (“Dr. Lewis and Mr. Sawyer offered explanations for their failure to disclose the material prior art . . . that were not credible. . . . Mr. Sawyer’s explanation, like Dr. Lewis’ . . . was neither factually nor legally sufficient to explain the failure to disclose the Bush Reference, which was highly material.”); *id.* at 4-5 (“As to Baji [and] Hoarty . . . Dr. Lewis and Mr. Sawyer suggested that they viewed the technology at issue in their co-pending applications as so distinct from that of the '946 application . . . that ‘it did not occur to them’ to make any disclosures about Baji [or] Hoarty . . . . That explanation, which defied common sense in light of the extensive overlap in the applications and claims, was fully discredited at trial.”). The district court found that Lewis and Sawyer knew the references were material and concluded that because they failed to provide a credible good faith explanation for non-disclosure of the references, it was appropriate to infer that they intended to deceive the PTO during prosecution of the '946 Patent. *Id.* The district court thus concluded that Lewis and Sawyer committed inequitable conduct. The court allowed Appellees to draft proposed

*Appendix A*

findings of fact and conclusions of law. The court adopted those findings verbatim, granted Appellees' requested declaratory judgment of inequitable conduct, held the '946 Patent unenforceable, and dismissed 1<sup>st</sup> Media's complaint. 1<sup>st</sup> Media appealed and we have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

## II. DISCUSSION

## A. Standard of Review

“This court reviews a district court’s determination of inequitable conduct under a two-tiered standard: we review the underlying factual determinations of materiality and intent for clear error, and we review the ultimate decision as to inequitable conduct for an abuse of discretion.” *Am. Calcar, Inc. v. Am. Honda Motor Co.*, 651 F.3d 1318, 1334 (Fed. Cir. 2011) (citing *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008)). “A factual finding is clearly erroneous if, despite some supporting evidence, ‘the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.’” *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1359 (Fed. Cir. 2007) (quoting *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395, 68 S. Ct. 525, 92 L. Ed. 746 (1948)). Even when a party drafts proposed findings of fact and conclusions of law, “[o]nce adopted, the findings are those of the court and may be reversed only if clearly erroneous.” *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988); *see also Anderson v. City of Bessemer City*, 470 U.S. 564, 572, 105 S. Ct. 1504, 84 L. Ed. 2d 518 (1985). “A district court abuses its discretion



*Appendix A*

when its decision is based on clearly erroneous findings of fact, is based on erroneous interpretations of the law, or is clearly unreasonable, arbitrary or fanciful.” *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1460 (Fed. Cir. 1998) (*en banc*).

## B. Analysis

This court’s recent opinion in *Therasense* changed the standard for proving inequitable conduct based on nondisclosure of a reference to the PTO. 649 F.3d at 1290-91. Under the *Therasense* standard, absent affirmative egregious misconduct, a defendant must prove by clear and convincing evidence both of the “separate requirements” that: (1) “the patentee acted with the specific intent to deceive the PTO”; and (2) the non-disclosed reference was but-for material. *Id.* *Therasense* explained that in order to show that the patentee acted with the specific intent to deceive the PTO, a defendant must prove “that the applicant knew of the reference, knew that it was material, and *made a deliberate decision to withhold it.*” *Id.* at 1290 (emphasis added). A failure of proof on any element precludes a finding of inequitable conduct. *See id.* (“Proving that the applicant knew of a reference, *should have known* of its materiality, and decided not to submit it to the PTO does not prove specific intent to deceive.” (emphasis added)). “[T]o meet the clear and convincing evidence standard, the specific intent to deceive must be ‘the single most reasonable inference able to be drawn from the evidence.’” *Id.* (quoting *Star Scientific*, 537 F.3d at 1366). A court can no longer infer intent to deceive from non-disclosure of a reference solely because that reference

*Appendix A*

was known and material. *Id.* Moreover, a patentee need not offer any good faith explanation for his conduct unless and until an accused infringer has met his burden to prove an intent to deceive by clear and convincing evidence. *See id.*; *Star Scientific*, 537 F.3d at 1368.

The district court issued its opinion in this case before this court's *Therasense* opinion, and this court must now determine whether, under the standard set forth in *Therasense*, the record here supports the district court's conclusion that Lewis and Sawyer committed inequitable conduct.

1<sup>st</sup> Media argues that the district court's finding of inequitable conduct cannot be sustained because the court did not find that either Lewis or Sawyer made a deliberate decision to withhold the three known material references from the PTO. 1<sup>st</sup> Media accuses Appellees of conflating the requirement to show intent to deceive with the requirement to show materiality and argues that *Star Scientific's* single most reasonable inference standard cannot substitute for *Therasense's* requirement that the defendant prove that the patentee made a deliberate decision to withhold a known material reference in order to deceive the PTO. Finally, 1<sup>st</sup> Media cites *Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485, 512, 104 S. Ct. 1949, 80 L. Ed. 2d 502 (1984), to argue that the Appellees cannot satisfy their burden to show a deliberate decision to withhold references merely from the fact that the testimony of Lewis and Sawyer was discredited.

*Appendix A*

Appellees admit that they have no direct evidence that Lewis or Sawyer intended to deceive the PTO. *See* Oral Arg. at 32:23, *available at* <http://www.cafc.uscourts.gov/oral-argument-recordings/2010-1435/all>. They contend instead that the way in which Lewis and Sawyer became aware of the references, coupled with statements they made during prosecution of the '946 Patent, demonstrate the necessary mens rea from which the district court permissibly could have inferred a deliberate decision to withhold the references regardless of the exact words the district court used. *See Therasense*, 649 F.3d at 1291. Appellees also argue that by seeking to present its evidence and explanations first at trial, 1<sup>st</sup> Media conceded that Appellees had made a threshold showing of intent to deceive. Finally, Appellees argue that the record adequately supports the district court's credibility determinations and its determination that both Lewis and Sawyer failed to provide a good faith explanation for their nondisclosure of the references in question.

### 1. Order of Proof at Trial

As an initial matter, 1<sup>st</sup> Media's motion to present its proofs first did not concede that Appellees had met their threshold burden of showing an intent to deceive by clear and convincing evidence. *See id.* at 1290. Nothing in 1<sup>st</sup> Media's motion can be construed as a concession that Appellees had met that burden. 1<sup>st</sup> Media's motion was a procedural request to implement what it believed would be an orderly and efficient presentation of evidence. Appellees' request for this court to read something substantive into 1<sup>st</sup> Media's procedural request lacks

*Appendix A*

justification. Thus, we turn to the merits of each alleged act of inequitable conduct.

## 2. Bush

1<sup>st</sup> Media argues that the evidence fails to support an inference of an intent to deceive the PTO by Lewis and Sawyer's failure to disclose the Bush reference. 1<sup>st</sup> Media specifically points to Sawyer's testimony that he did not learn of Bush until after he received the notice of allowance of the '946 Patent and at a time period when his practice was "very active." Moreover, 1<sup>st</sup> Media emphasizes that Bush was reported as being a category "Y" reference and therefore of particular relevance only when combined with some other reference. Finally, 1<sup>st</sup> Media points out that Sawyer's foreign patent counsel ("Wright") indicated that Bush was of limited relevance.

Appellees stress that the district court rejected Lewis's and Sawyer's explanations. *See* Findings at 4-5, 16-18. They contend that the district court was free to conclude that Sawyer made a deliberate decision to withhold Bush based on the fact that he received the EPO search report identifying Bush and identifying "specific page, line and figure numbers in Bush as particularly relevant to *as-filed* claims 1-5 and 18 of the EPO counterpart" eight days before he paid the issue fee for the '946 Patent. Appellee's Br. 13 (emphasis added). Finally, Appellees disagree with 1<sup>st</sup> Media's characterization of the "Y" designation and 1<sup>st</sup> Media's interpretation of Wright's comment. According to Appellees, Sawyer was already aware of other references with which Bush might

*Appendix A*

be combined, and Wright's comment meant that Bush was only relevant to certain claims, specifically claim 16 of the '946 Patent.

At trial, Appellees argued that they met their threshold burden of showing Lewis and Sawyer's intent to deceive the PTO regarding Bush by demonstrating that Lewis and Sawyer knew of its relevance but did not disclose it to the PTO. Day One Tr. at 40 ("They knew Bush was relevant to claim 18 [(current claim 16)] according to the European patent office, but they didn't disclose it to [the examiner] who was also you [sic] looking at the exact same claim. *That's a prima facie showing of inequitable conduct.*" (emphasis added)). The district court accepted this argument. *See* Findings at 7 ("Intent may be inferred where non-disclosed information is material and where knowledge of the information and its materiality is chargeable to the applicant."); *id.* at 16 ("The materiality of the Bush Reference and the knowledge of that materiality by Dr. Lewis and Mr. Sawyer have been proven by clear and convincing evidence. Where the party asserting inequitable conduct establishes a threshold level of materiality and intent based on predicate facts, the inquiry next turns to the . . . [patentee's] explanation that its conduct was in good faith.").

As noted, *supra*, this court has now made clear that "[t]o prevail on a claim of inequitable conduct, the accused infringer must prove that the patentee acted with the specific intent to deceive the PTO." *Therasense*, 649 F.3d at 1290. Moreover, "[a] finding that the misrepresentation or omission amounts to gross negligence or negligence

*Appendix A*

under a ‘should have known’ standard does not satisfy this intent requirement.” *Id.* (citing *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (1988)). “In a case involving nondisclosure of information, clear and convincing evidence must show that the applicant *made a deliberate decision* to withhold a *known* material reference.” *Id.* (quoting *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1181 (1995)). The district court’s “Intent To Deceive” analysis regarding Bush analyzed only “1. Knowledge of Materiality,” and “2. Lewis and Sawyer’s Explanations.” Findings at 15-18. Significantly, however, the district court, following pre-*Therasense* precedent, did not discuss or consider whether there was any deliberate decision on either Lewis’s or Sawyer’s part to withhold the Bush reference from the PTO.

This court cannot sustain the district court’s decision. Knowledge of the reference and knowledge of materiality alone are insufficient after *Therasense* to show an intent to deceive. Moreover, it is not enough to argue carelessness, lack of attention, poor docketing or cross-referencing, or anything else that might be considered negligent or even grossly negligent. To sustain a charge of inequitable conduct, “clear and convincing evidence must show that the applicant made a deliberate decision to withhold a known material reference.” *Molins*, 48 F.3d at 1181. Whatever one might conclude about Lewis’s and Sawyer’s conduct and interactions relating to the Bush reference, and the nature of Sawyer’s practice at the relevant time, the record does not support the inference that Lewis and Sawyer deliberately chose to withhold Bush. *See Therasense*, 649 F.3d at 1290. Lewis did not testify that he thought that

*Appendix A*

Bush was relevant to the '946 Patent's prosecution in 1995; he only testified that he knew of "some rejections related to a patent in Europe, and it was the Bush patent." Day One Tr. at 92. But the PCT Application was not rejected based on Bush until 1998. Lewis could not recall whether he had reviewed the EPO search report identifying Bush; he testified only that the report is something that he would have reviewed if Sawyer had sent it to him. *Id.* at 93. The record does not contain any letter from Sawyer to Lewis at that time informing Lewis of the EPO search report or Bush. Oral Arg. at 19:45-20:25. Lewis then testified that "given the details of the Bush [reference] that [he] know[s] now," he now thinks that Bush was "relevant." *Id.* at 100.

While Sawyer testified that it was his standard practice to make sure he cited to the PTO prior art cited in corresponding foreign applications if he knew that prior art was material, Day Two Tr. at 129-30, Appellees point to no evidence to suggest that Sawyer must have deliberately withheld Bush from the PTO.

The record in this case is unlike that in *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324, 1335-36 (Fed. Cir. 2012), in which this court affirmed the district court's inequitable conduct determination. In that case there was affirmative conduct by the applicants showing not only specific awareness of materiality, but careful and selective manipulation of where, when, and how much of the most material information to disclose. *Id.* at 1336. Evidence of such selective disclosure is not present here. With regard to Bush, the evidence shows, at best, that Lewis and Sawyer knew Bush was material. An applicant's

*Appendix A*

knowledge of a reference's materiality, however, cannot by itself prove, let alone clearly and convincingly prove, that any subsequent non-disclosure was based on a deliberate decision. Otherwise, the third element in *Therasense's* intent to deceive analysis would be satisfied in any case in which the second element was satisfied. This would effectively eviscerate *Therasense's* test for *mens rea* and reinflct the plague of patent unenforceability based on the thinnest of speculation regarding the applicant's putative mental state. *See Therasense*, 649 F.3d at 1290.

The district court's analysis in this case thus falls short of what *Therasense* now requires. We need not decide whether it was clear error for the district court to infer that Lewis and Sawyer knew that the Bush reference was material because nowhere in the district court's analysis did it cite any evidence of a deliberate decision to withhold Bush from the PTO, or anything that would support such an inference. And the district court clearly erred in relying on Lewis and Sawyer's inability to offer a good faith explanation as a basis to infer a deliberate decision to withhold Bush. *See Therasense*, 649 F.3d at 1290; *see also Am. CalCar*, 651 F.3d at 1335 ("Although the court found [the inventor's] testimony to be lacking in credibility, and we give considerable deference to that finding, . . . that alone is insufficient to find specific intent to deceive under the knowing and deliberate standard." (internal citation omitted)); *Star Scientific*, 537 F.3d at 1368 ("The patentee need not offer any good faith explanation unless the accused infringer first carried his burden to prove a threshold level of intent to deceive by clear and convincing evidence.").



*Appendix A*

## 3. Baji

The district court's intent to deceive analysis regarding Baji is similarly flawed. Appellees argue that Lewis and Sawyer were aware of Baji based on its citation in a July 13, 1993, rejection of claims in the '423 Application. They further contend that Baji discloses an MCPS and that Lewis and Sawyer's February 21, 1995, argument to the PTO that the five references cited by the examiner do not have an MCPS is sufficient circumstantial evidence from which the district court could infer a deliberate decision to withhold Baji. 1<sup>st</sup> Media counters by pointing to Lewis's and Sawyer's testimony that they did not appreciate the materiality of the Baji reference and that they each viewed the inventions claimed in the '423 and '946 Applications to relate to distinct technologies. Moreover, 1<sup>st</sup> Media contends that even if the district court did not credit Lewis's and Sawyer's testimony, that fact cannot be used as affirmative evidence of the opposite conclusion.

We agree with 1<sup>st</sup> Media. Here, there is no evidence, such as the evidence of a selective disclosure that occurred in *Aventis Pharma*, suggesting that Lewis and Sawyer must have deliberately withheld Baji. 675 F.3d at 1336. That Lewis's and Sawyer's testimony was not credited by the district court does not overcome the short-comings in Appellees' proof. And the fact that Baji was not mentioned in an argument dealing with a rejection based on five other references nearly a year and a half after Baji first came to Lewis's and Sawyer's attention does not in and of itself suggest that the single most reasonable inference is a deliberate decision to deceive. The district court's contrary finding is clearly erroneous.

*Appendix A*

## 4. Hoarty

Finally, Appellees argue that Lewis and Sawyer intended to deceive the PTO by not disclosing Hoarty, which an examiner cited in a June 12, 1995, rejection of claims in the '001 Application. Appellees fault Lewis and Sawyer for not disclosing Hoarty when the examiner's rejection clearly drew their attention to IMM, IMD, and MCPS networks contended to be similar to networks disclosed in the Hoarty reference. 1<sup>st</sup> Media counters by citing Lewis's and Sawyer's testimony that they did not appreciate Hoarty's materiality and by arguing that Hoarty is not analogous to the invention claimed in the '946 Application.

Appellees' argument again falls short. Hoarty was not brought to the attention of Lewis and Sawyer until *after* they had made the argument during prosecution of the '946 Patent and received the Notice of Allowance, albeit *before* they paid the issue fee. Moreover, the record shows that the IMM, IMD, and MCPS limitations were not determinative of patentability of the '001 Patent, meaning that there was nothing to single out Hoarty for special attention. At bottom, there is simply no evidence that Lewis and Sawyer deliberately withheld Hoarty from the PTO, and there can be no inference that they intended to deceive the PTO.

Ultimately, for all of the references, the evidence supports only that Lewis and Sawyer (1) knew of the references, (2) may have known they were material (which this court does not reach), and (3) did not inform

*Appendix A*

the PTO of them. But that is not enough. As *Therasense* made clear, a defendant must prove that an applicant (1) “knew of the reference,” (2) “knew it was material,” and (3) “made a *deliberate decision* to withhold it.” 649 F.3d at 1290 (emphasis added). It is the last requirement that is missing from the record developed in this case.

At oral argument, Appellees admitted that they took full discovery on inequitable conduct and informed this court that the record is complete. Oral Arg. at 19:20-20:50. Because Appellees cannot prove on this record that either Lewis or Sawyer made a deliberate decision to withhold references from the PTO and because Appellees acknowledged that the record is complete, this court reverses. We need not decide whether any of the references were but-for material.

## CONCLUSION

For the foregoing reasons, the judgment of the district court is reversed.

**REVERSED**

**APPENDIX B— FINDINGS OF FACT AND  
CONCLUSIONS OF LAW FOLLOWING TRIAL  
ON INEQUITABLE CONDUCT, UNITED STATES  
DISTRICT COURT, DISTRICT OF NEVADA,  
FILED APRIL 20, 2010**

UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA

Case No. 2:07-cv-1589-JCM-RJJ

1ST MEDIA, LLC,

*Plaintiff,*

*vs.*

ELECTRONIC ARTS, INC., HARMONIX MUSIC  
SYSTEMS, INC., VIACOM, INC., and SONY  
COMPUTER ENTERTAINMENT AMERICA INC.,

*Defendants.*

---

ELECTRONIC ARTS, INC., HARMONIX  
MUSIC SYSTEMS, INC., and SONY COMPUTER  
ENTERTAINMENT AMERICA INC.,

*Counterclaimants,*

*vs.*

1st MEDIA, LLC,

*Counterdefendant.*

**FINDINGS OF FACT AND CONCLUSIONS  
OF LAW FOLLOWING TRIAL ON  
INEQUITABLE CONDUCT**

*Appendix B***INTRODUCTION**

Plaintiff 1st Media LLC sued Defendants Electronic Arts, Inc., Harmonix Music Systems, Inc., Viacom, Inc., and Sony Computer Entertainment America Inc., for infringement of United States Patent No. 5,464,946 (“the ‘946 Patent”). Defendants pled an affirmative defense and declaratory judgment counterclaims of inequitable conduct<sup>1</sup> asserting that the ‘946 Patent is unenforceable due to multiple instances of inequitable conduct by the patent applicant and his prosecuting attorney.<sup>1</sup>

Specifically, the Defendants allege that Dr. Scott Lewis, the named inventor and applicant, and Mr. Joseph Sawyer, the prosecuting attorney, intentionally deceived the United States Patent and Trademark Office (“USPTO”) by withholding five pieces of information that Dr. Lewis and Mr. Sawyer knew to be material to, at least as-filed claim 18 and issued claim 16 of the ‘946 Patent (the only independent claim asserted in this case): (1) International Publication No. WO-A- 90 01243 (“the Bush Reference”), cited by the European Patent Office (“EPO”) as relevant and ultimately relied upon in rejecting the ‘946 Patent’s foreign counterpart; (2) U.S. Patent No. 5,027,400 (“the Baji Reference”), cited by the USPTO in rejecting substantially similar claims in a co-pending application

---

1. Defendants Electronic Arts, Inc., Harmonix Music Systems Inc., Viacom, Inc. and Sony Computer Entertainment America Inc. each asserted an affirmative defense of inequitable conduct, and all such defendants other than Viacom Inc. also pleaded a counterclaim for declaratory relief on inequitable conduct.

*Appendix B*

(“the ‘423 Application”); (3) U.S. Patent No. 5,220,420 (“the Hoarty Reference”), cited by the USPTO in rejecting substantially similar claims in a co-pending application (“the ‘001 Application”); (4) a July 16, 1993 Office Action issued by Examiner Chan that rejected substantially similar claims in the ‘423 Application (“Examiner Chan’s Rejection”); and (5) a June 12, 1995 Office Action issued by Examiner Hong that rejected substantially similar claims in the ‘001 Application (“Examiner Hong’s Rejection”).

After the pleadings closed, and by stipulation of the parties, this Court bifurcated discovery and trial to focus initial proceedings on the inequitable conduct affirmative defenses and counterclaims. Pursuant to the Joint Supplemental Case Management Report of Discovery Plan and Scheduling Order (D.I. 120), the parties conducted fact and expert discovery on such issues. Plaintiff moved for summary judgment on the inequitable-conduct elements of materiality and intent (D.I. 157, 158). The Court denied Plaintiff’s motions, finding that triable issues of material fact existed as to both elements (D.I. 193). In preparation for the subsequent inequitable conduct hearing the parties submitted pretrial briefs (D.I. 230, 232), proposed findings of fact and conclusions of law (D.I. 229, 231), and expert declarations (D.I. 258-60, 262). On February 25 and 26, 2010, this Court conducted a bench trial to adjudicate the disputed factual issues of materiality and intent.

After carefully considering the evidence presented during the bench trial, including the testimony, demeanor, and credibility of Dr. Lewis and Mr. Sawyer, and evaluating the law governing the defense of inequitable

*Appendix B*

conduct, this Court enters the following findings of fact and conclusions of law pursuant to Federal Rule of Civil Procedure 52.

In summary, the evidence shows that five material pieces of information were brought to the attention of Dr. Lewis and Mr. Sawyer during their prosecution of the application that led to the issuance of the '946 Patent ("the '946 Application"). They did not disclose any of it to Examiner Witkowski, the examiner assigned to that application notwithstanding their acknowledgment of their duty of candor.

Dr. Lewis and Mr. Sawyer became aware of the information in the course of prosecuting three other patent applications that were pending for much of the same time as their '946 Application. One of the other applications was the identical international counterpart application of the '946 Application. The other two were applications before the USPTO that, although not identical, had substantial word-for-word overlap with the '946 Application. The other two applications also shared many of the same figures that appeared in the '946 Application. Moreover, the asserted claim in the '946 Patent at issue in this action included three terms that Dr. Lewis made up ("Interactive Multimedia Mastering System" or "IMM;" "Multimedia Call Processing System," or "MCPS;" and "Interactive Multimedia Device" or "IMD.") Dr. Lewis's other two applications at the USPTO included claims that used the identical three made-up terms. The other two applications were assigned to two different examiners, Examiners Chan and Hong.

*Appendix B*

All of the identical or similar copending claims were rejected. The EPO found a prior art reference called “Bush” and rejected the identical counterpart to the ‘946 Application primarily on the basis of it. While the ‘946 Application was still pending before Examiner Witkowski, the EPO had identified Bush as “relevant” to the claim that included the made-up terms. Examiner Chan found a prior art reference called “Baji,” concluded it disclosed an IMM, MCPS and IMD, and rejected the claims in Dr. Lewis’s application assigned to him that included those terms, all while the ‘946 Application was still pending. In that same period Examiner Hong found a prior art reference called “Hoarty,” concluded it disclosed an IMM, MCPS and IMD and rejected the claims in Dr. Lewis’s application assigned to him that included those terms.

As the findings and conclusions that appear below recite, the Bush, Baji and Hoarty References were each highly material to claims in the ‘946 Application and the ‘946 Patent, as were Examiner Chan’s and Examiner Hong’s rejections of the claims that included the same made-up terms. Dr. Lewis and Mr. Sawyer were necessarily aware of the materiality of that information because the other examiners in Europe and the US specifically brought it to their attention but neither disclosed any of it to Examiner Witkowski.

Dr. Lewis and Mr. Sawyer offered explanations for their failure to disclose the material prior art and rejections of the co-pending applications that were not credible. As to the essentially identical foreign counterpart application that Plaintiff necessarily acknowledged was related to the



*Appendix B*

'946 Application, Dr. Lewis admitted at trial that the Bush Reference identified by the EPO examiner was “relevant” but speculated after-the-fact that it must have “got lost in the cracks at that time.” [Feb. 25 Tr. at 183:2-5] Mr. Sawyer’s explanation, like Dr. Lewis’, was admitted to be an after-the-fact reconstruction. [Feb. 26 Tr. at 133:4-20] It was neither factually nor legally sufficient to explain the failure to disclose the Bush Reference, which was highly material.

As to Baji, Hoarty and the two rejections of the substantially similar claims in the copending applications, Dr. Lewis and Mr. Sawyer suggested that they viewed the technology at issue in their co-pending applications as so distinct from that of the '946 application (notwithstanding the extensive overlap in the content of the applications and the claims) that “it did not occur to them” to make any disclosures about Baji, Hoarty or the rejections of the other, similar claims. That explanation, which defied common sense in light of the extensive overlap in the applications and claims, was fully discredited at trial. Further, Plaintiff failed to identify any good faith actions undertaken by Mr. Sawyer or Dr. Lewis in the course of their prosecution of the '946 Application that might weigh in the balance in their favor.

For all the reasons identified below, the Court concludes that each piece of information was highly material and that the single most reasonable inference drawn from all the evidence offered at trial is that Dr. Lewis and Mr. Sawyer withheld this information with a specific intent to deceive the USPTO. After carefully

*Appendix B*

balancing the proof of materiality and intent in light of all the evidence and the equities, this Court determines that Dr. Lewis and Mr. Sawyer's conduct is sufficiently culpable to constitute inequitable conduct that renders the '946 Patent unenforceable.

In entering these findings, the Court is mindful that the Federal Circuit has criticized the frequent assertion by defendants in patent cases of baseless allegations of inequitable conduct and has instructed the District Courts to adhere strictly to the Federal Circuit's requirements for findings of inequitable conduct, including the clear and convincing burden of proof placed on defendants. Applying the Federal Circuit's standards, Defendants have satisfied their burden here.

**LEGAL STANDARDS**

Every patent applicant owes a duty of candor, good faith, and honesty to the USPTO. 37 C.F.R. 1.56. The duty of candor extends throughout the patent's entire prosecution history (i.e., from filing to issuance) and includes the duty to submit truthful information as well as the duty to disclose to the USPTO information known to the patent applicant that is material to the examination of the patent application. *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 30 (Fed. Cir. 1999); *Fox Indus. Inc. v. Structural Preservation Sys. Inc.*, 922 F.2d 801, 803 (Fed. Cir. 1991). Breach of the duty of candor may constitute inequitable conduct. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995). To establish inequitable conduct, the party raising the issue

*Appendix B*

must prove by clear and convincing evidence that (1) the withheld or falsely disclosed information is material; and (2) the applicant or his attorney's failure to disclose this information resulted from an intent to mislead the USPTO. *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008).

Information is material when there is a substantial likelihood that a reasonable examiner would consider the information important in deciding whether to allow the application to issue as a patent. *See, e.g., Symantec Corp. v. Computer Assocs. Int'l, Inc.*, 522 F.3d 1279, 1297 (Fed. Cir. 2008); *see also Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1316 (Fed. Cir. 2006). Information does not need to be invalidating, or even prior art, to be material. *Li Second Family Ltd. Partnership v. Toshiba Corp.*, 231 F.3d 1373, 1380 (Fed. Cir. 2000). Courts have determined that rejections of substantially similar claims in co-pending applications satisfy the materiality requirement. *See Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368 (Fed. Cir. 2003) (“[A] contrary decision of another examiner reviewing a substantially similar claim meets the . . . reasonable examiner threshold materiality test”); *see also McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 919-20 (Fed. Cir. 2007).

Intent to deceive may be inferred from indirect and circumstantial evidence because direct evidence of intent is rare. *Therasense, Inc. v. Becton, Dickinson and Co.*, 593 F.3d 1289, 1305 (Fed. Cir. 2010). There must be a factual basis for a finding of deceptive intent, however,

*Appendix B*

and the predicate facts underlying any inference of intent must be proven by clear and convincing evidence. *Star Scientific*, 537 F.3d at 1366-67 (citing *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1186 (Fed. Cir. 2006) (“The predicate facts must be proven by clear and convincing evidence”)); *Purdue Pharma L.P. v. Endo Pharms., Inc.*, 438 F.3d 1123, 1133-34 (Fed. Cir. 2006). Intent may be inferred where non-disclosed information is material and where knowledge of the information and its materiality is chargeable to the applicant. *Elk Corp.*, 168 F.3d at 30; see *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1382 (Fed. Cir. 2001) (cited in *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1330 (Fed. Cir. 2009)) (stating that knowledge of materiality is chargeable to the applicant or his attorney when the evidence shows either: (a) actual knowledge of materiality; or (b) cultivated ignorance of materiality). The Federal Circuit emphasizes, however, that “the inference [of intent to deceive] must not only be based on sufficient evidence and be reasonable in light of that evidence, but it must also be the single most reasonable inference able to be drawn from the evidence.” *Star Scientific*, 537 F.3d at 1365.

Once the above elements have been established, the court must conduct a balancing test to determine “whether the scales tilt to a conclusion that inequitable conduct occurred.” *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997). When performing this analysis, the court balances “the levels of materiality and intent, with a greater showing of one factor allowing a lesser showing of the other.” *Therasense*, 593 F.3d at 1300 (internal quotations omitted).

*Appendix B*

The conduct must be sufficiently culpable to warrant a conclusion that inequitable conduct has occurred since “the unenforceability of a patent follows automatically once a patent is found to have been obtained by inequitable conduct.” *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1243 (Fed. Cir. 2008). “When a court has finally determined that inequitable conduct occurred in relation to one or more claims during prosecution of [a] patent application, the entire patent is rendered unenforceable.” *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988) (en banc).

**FINDINGS OF FACT AND  
CONCLUSIONS OF LAW<sup>2</sup>**

This Court begins by providing general background information on Dr. Lewis, Mr. Sawyer, and the ‘946 Patent’s prosecution history. Next, the Court addresses the inequitable conduct allegations by grouping the five separate bases of inequitable conduct into two categories: (1) allegations arising from the foreign counterpart application, including the Bush Reference; and (2) allegations arising from prior art identified and rejections issued during the prosecution of copending applications

---

2. This Opinion sets forth the Court’s Findings of Fact and Conclusions of Law pursuant to Fed. R. Civ. P. 52(a). To the extent any Finding of Fact reflects a legal conclusion, it shall be to that extent deemed a Conclusion of Law, and vice versa. Citations to the record are not intended to imply that the cited portion of the record is the only support for the Court’s finding. The Findings of Fact note where the source is the proposed findings of fact submitted by Plaintiff (“PPFF”).

*Appendix B*

in the USPTO, including the Baji Reference, the Hoarty Reference, Examiner Chan's Rejection, and Examiner Hong's Rejection. For each set of withheld information the Court analyzes both materiality and intent. The Court proceeds to consider the explanations offered by Dr. Lewis and Mr. Sawyer that they acted in good faith. Finally, the Court balances the evidence of materiality and intent and the equities as required by Federal Circuit precedent. After conducting this analysis the Court concludes that inequitable conduct occurred and that the '946 Patent is unenforceable.

**General Background****A. Dr. Lewis**

1. Dr. Scott Lewis filed U.S. and foreign patent applications starting on November 13, 1992 that utilized a common technology platform or background. Prior to filing his patent portfolio, Dr. Lewis earned a bachelor's and master's degree from the Massachusetts Institute of Technology in Mechanical Engineering with Joint Specifications in Electrical Engineering. He received the bachelor's degree in 1978 and the master's degree in 1979. He later did doctorate work and completed a doctoral thesis at the University of Oxford (where he was a Marshall Scholar). Dr. Lewis's doctoral thesis pertained to pseudo-continuous self-tuning control and digital signal processing. Oxford granted him the doctoral degree in 1982. After he finished his doctoral thesis, Dr. Lewis returned to the United States and received a Master's in Business Administration from Harvard Business School in 1984. [PPFF ¶ 7]

*Appendix B*

**B. Mr. Sawyer**

2. Mr. Joseph Sawyer began prosecuting patents in 1979. Mr. Sawyer obtained his license to practice at the USPTO in 1981. [DX 107, Sawyer Dep. Tran. at 11] Mr. Sawyer obtained his law degree in 1983. [*Id.* at 10]

3. Prior to November 1992, Mr. Sawyer worked as in-house counsel prosecuting patents at Bell Labs, Pitney Bowes, Hughes Aircraft, Advanced Micro Devices (“AMD”), and Chips & Technologies. [PPFF ¶ 9]

4. In 1992, Mr. Sawyer founded his own patent prosecution practice. In addition to handling files in his private practice, Mr. Sawyer worked on a contract basis as inhouse patent counsel for AMD and Chips & Technologies. [PPFF ¶ 10]

**C. Prosecution of The ‘946 Patent**

5. On November 13, 1992, the ‘946 Application was deposited in the mail for first submission to the USPTO. On November 16, 1992, the USPTO mailroom received the ‘946 Application. [PPFF ¶ 18]

6. Dr. Lewis is listed as the sole inventor of the ‘946 Application. [DX 1]

7. Mr. Sawyer was the prosecuting attorney for the ‘946 Application. [DX 2]

8. The ‘946 Application was pending from November 13, 1992, through November 7, 1995. [DX 2]

*Appendix B*

9. When the '946 Application was first submitted, it included a declaration by Dr. Lewis under the penalty of law that stated, among other things: "I acknowledge my duty to disclose information of which I am aware which is material to the examination of this application." [DX 2 at 46-47]

10. Dr. Lewis submitted two additional declarations in the '946 Application that contained identical statements. [DX 2 at 74-75, 100-101]

11. Based on the above declarations and his trial testimony, Dr. Lewis understood that he owed a duty of candor and honesty to the USPTO throughout the prosecution of the '946 Application.

12. Mr. Sawyer also understood that he owed a duty of candor and honesty to the USPTO. At the time of filing the '946 Application, Mr. Sawyer considered himself an experienced prosecuting attorney. Mr. Sawyer admitted during his deposition that at the time of filing the '946 Application he was aware of the duty of candor. [DX 107, Sawyer Dep. Tran. at 35-36] At trial, Mr. Sawyer again acknowledged that he had a duty of candor and that he was aware of, and familiar with, Chapter 2000 of the Manual of Patent Examination and Procedure ("MPEP") that relates to an applicant's duty of candor to the USPTO.

13. When the '946 Application was first submitted, it included 31 claims. The text of as-filed claim 18 of the '946 Application recited:



*Appendix B*

An [sic] multimedia information entertainment system comprising: interactive multimedia mastering system (IMM) for receiving program source material from a network;

an interactive multimedia device (IMD) for storing program source material received from the IMM and that can select certain program source material from the IMM; and

multimedia call processing system (MCPS) that can receive credit or order information and can retrieve program source material to be sent to the IMD. [PPFF ¶ 31]

14. Dr. Lewis “coined” three terms used in as-filed claim 18 of the ‘946 Application: Interactive Multimedia Mastering System (IMM); Multimedia Call Processing System (MCPS); and Interactive Multimedia Device (IMD). [Feb. 25 Tr. at 115:23-116:12]. So far as Dr. Lewis was aware these three terms had not been used anywhere before the ‘946 Application. [Feb. 25 Tr. at 119:16-21]

15. On February 11, 1993, in response to a Notice of Incomplete Application, Mr. Sawyer mailed Figure 2c to the USPTO. [PPFF ¶ 21-22] Thereafter, the USPTO issued a filing receipt indicating an official filing date of February 11, 1993. [PPFF ¶ 28]

16. The ‘946 Application was assigned to USPTO Examiner Stanley J. Witkowski. [DX 1]

*Appendix B*

17. On September 14, 1994, Examiner Witkowski rejected all claims of the '946 Application, including as-filed claim 18 as either anticipated or rendered obvious by:

- U.S. Patent No. 1,213,804 to Cahill (“Cahill”);
- U.S. Patent No. 5,194,682 to Okamura et al (“Okamura I”);
- U.S. Patent No. 5,247,126 to Okamura et al (“Okamura II”);
- U.S. Patent No. 5,250,747 to Tsumura (“Tsumura”);  
and
- U.S. Patent No. 5,296,643 to Kuo et al (“Kuo”). [DX 2 at 109-113]

18. On February 21, 1995, Dr. Lewis and Mr. Sawyer responded to Examiner Witkowski’s rejection with an amendment and argued that the claims of the '946 Application were patentable over the prior art cited by Examiner Witkowski [DX 2 at 358-366], because:

Applicant recites a multimedia information entertainment system that includes a multimedia call processing system [MCPS] that can receive credit or purchase information and can retrieve program source material to be sent to an interactive multimedia device. **Applicant fails to see where, in any of the cited references, such an entertainment system is disclosed or suggested.** [DX 2 at 365] (emphasis added)

*Appendix B*

19. On May 2, 1995, the USPTO issued a Notice of Allowance of the '946 Application. [PPFF ¶ 30]

20. On August 1, 1995, Mr. Sawyer mailed the issue fee and transmittal form to the USPTO. [DX 2 at 373-374]

21. On November 7, 1995, the '946 Application issued as the '946 Patent. [PPFF ¶ 15]

22. As-filed claim 18 issued as claim 16. The final form of claim 16 adds the word "karaoke" between "multimedia" and "information" in the preamble, and replaces the word "order" with "purchase." Otherwise, the text of as-filed claim 18 remained the same when it issued as claim 16. [PPFF ¶ 32]

**II. Inequitable Conduct Relating To EPO Counterpart Application (e.g., the Bush Reference)**

**A. Background of EPO Counterpart Application**

23. In addition to the United States filing of the '946 Application, Dr. Lewis filed International Patent Application No. PCT/US93/10930 pursuant to the Patent Cooperation Treaty ("PCT"). This international application eventually yielded corresponding European Patent Application No. EP 94 901 432.8 (collectively, the "EPO Counterpart Application). The EPO Counterpart Application is the foreign counterpart to the '946 Application. [PPFF ¶ 68]

*Appendix B*

24. On November 11, 1993, the EPO Counterpart Application was filed under the PCT. [PPFF ¶ 69] The as-filed EPO Counterpart Application, including the written description, figures, and claims, was identical to the as-filed '946 Application. [DX 2 at 7-45 and 50-59; DX 11 at 98-153]

25. As-filed claim 18 of the EPO Counterpart Application is identical to as-filed claim 18 of the '946 Application. The EPO Counterpart Application, like the USPTO application, included a total of 31 claims. [DX 11 at SCEA 000040]

26. The USPTO was the Receiving Office for the EPO Counterpart Application. [DX 11 at SCEA 000039]

27. The EPO Counterpart Application was assigned to Examiner Witkowski while pending in the PCT phase.

28. The EPO Counterpart Application claims priority back to the '946 Application filing date. [PPFF ¶ 70]

29. Dr. Lewis is listed as the sole inventor of the EPO Counterpart Application. [PPFF ¶ 71]

30. Issued claim 16 of the '946 Patent only differs from as-filed claim 18 of the EPO Counterpart Application in two respects. First, claim 16 of the '946 Patent adds the word "karaoke" between "multimedia" and "information" in the preamble. Second, claim 16 of the '946 Patent replaces the word "order" with "purchase." Apart from these two differences, claim 16 of the '946 Patent and as-filed claim 18 of the EPO Counterpart Application are identical. [PPFF ¶ 72]

*Appendix B*

31. On April 21, 1994, Examiner Witkowski completed the PCT International Search Report for the EPO Counterpart Application. The International Search Report listed the five prior art references already being considered by the USPTO in the United States prosecution of the '946 Application. [PPFF ¶73] The fact that the PCT International Search Report identified the same five pieces of prior art as the USPTO Office Action is not surprising because Examiner Witkowski conducted both searches. [DX 11 at 39]

32. Subsequently, the EPO Counterpart Application entered the national phase and was sent to the EPO. [DX 11 at SCEA 00035-38]

33. On June 25, 1995, EPO Examiner Pulluard completed a Supplementary European Search Report that identified International Publication No. WO-A-90 01243 (“the Bush Reference”), which has an international publication date of February 8, 1990. The Bush Reference was the only reference listed in EPO Examiner Pulluard’s report. [PPFF ¶ 75]

34. EPO Examiner Pulluard’s Supplementary European Search Report identified specific page, line, and figure numbers in the Bush Reference as relevant to as-filed claims 1-5 and 18 of the EPO Counterpart Application. [DX 11 at 16]

35. On July 3, 1995, the EPO sent the Supplementary European Search Report to Mr. Hugh Ronald Wright of Brooks & Martin in London. [DX 12 at SCEA 000015]

*Appendix B*

36. On July 19, 1995, Mr. Wright mailed the Supplementary European Search Report, the Bush Reference, and a letter to Mr. Sawyer. [PPFF ¶ 74]

37. On July 24, 1995, Mr. Sawyer received and read the Supplementary European Search Report, the Bush Reference, and Mr. Wright's July 19, 1995 letter. [PPFF ¶ 74; D.I. 159 at ¶¶ 21 and 23]

38. On November 3, 1998, an EPO examiner mailed an Examination Report to Mr. Wright rejecting all of the claims in the EPO Counterpart Application. The Examination Report identified the Bush Reference as the primary reference in denying patentability and characterized the Bush Reference as the "closest prior art document." [DX 11 at SCEA 000006-11]

39. On July 17, 1999, the EPO deemed the EPO Counterpart Application to be withdrawn for failure to respond to the Examination Report and closed its prosecution. [DX 11 at SCEA 000001-3]

40. The EPO Counterpart Application and the '946 Application were co-pending for a period of nearly two years, from November 11, 1993, when the EPO Counterpart Application was filed, to November 7, 1995, when the '946 Application issued as the '946 Patent.

41. Dr. Lewis and Mr. Sawyer did not disclose the Bush Reference to Examiner Witkowski in the '946 Application. [PPFF ¶ 77]

*Appendix B*

42. Examiner Witkowski did not cite or rely upon the Bush Reference during prosecution of the '946 Application. [DX 2]

**B. Materiality**

43. The Bush Reference was highly material to the '946 Application. This determination is based on three areas of evidence. *See Elk Corp.*, 168 F.3d at 31 (noting that information is material if there is a substantially likelihood that a reasonable examiner would have considered the material important in deciding whether to issue the application as a patent).

44. First, EPO Examiner Pulluard issued a Supplementary European Search Report on July 3, 1995, that identified the Bush Reference as particularly relevant to as-filed EPO Counterpart Application claims 1-5 and 18. Notably, the Bush Reference was the only prior art cited in the Supplementary European Search Report.

45. As-filed claim 18 of the EPO Counterpart Application is identical to as-filed claim 18 of the '946 Application. As such, the fact that EPO Examiner Pulluard found the Bush Reference relevant to as-filed claim 18 of the EPO Counterpart Application indicates that the Bush Reference is relevant to, at least, as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent.

46. This conclusion is supported by § 2001.06(a) of the Manual of Patent Examining Procedure ("MPEP")

*Appendix B*

Fifth Edition, Revision 14, effective as of November 1992. Specifically § 2001.06(a) states that “[t]he inference that [prior art cited in search reports of foreign patent offices in a counterpart application] is material is especially strong where it is the only prior art cited or where it has been used in rejecting the same or similar claims in the foreign application.” Both conditions exist here.

47. Second, an EPO examiner ultimately found that the subject matter of all claims of the EPO Counterpart Application, which were identical to the as-filed ‘946 Application, were known from the Bush Reference. [DX 11 at 7-11] In addition, the EPO found that the Bush Reference was the “closest prior art document” even though it was already considering the five pieces of prior art previously identified by Examiner Witkowski. [DX 11 at 11] Although EPO patentability rules differ in some respects from those used in the USPTO, the two regimes are at least broadly similar regarding the need for novelty and the potentially invalidating effect of prior art. The EPO rejection is therefore evidence of materiality.

48. Dr. Lewis acknowledged at trial that the Bush Reference disclosed an entertainment system and was “relevant” to his prosecution of the ‘946 patent. [Feb. 25 Trial Tr. at 100:22-25]

49. Third, I note that Defendants’ technological expert, Dr. Zyda, opined that the Bush Reference discloses, either alone or in combination with other prior art, each element of as-filed claim 18 of the ‘946 Application and issued claim 16 of the ‘946 Patent.



*Appendix B*

50. Although this Court is generally skeptical of paid experts, Dr. Zyda's Declaration at least provided a clear explanation of why the Bush Reference is pertinent to the '946 Application. According to Dr. Zyda, the Bush Reference discloses the use of a network to download music for purchase, and includes a three-component design that involves a server, a user's device, and a "middleman" component that links the two. At a minimum this is similar to as-filed claim 18 in the '946 Application and issued claim 16 in the '946 Patent. [D.I. 262, ¶¶ 43-51.] This explanation by Defendants' expert is not contradicted by the expert declaration and report supplied by Plaintiff. [D.I. 259.]

51. The Bush Reference was not cumulative to the other prior art before Examiner Witkowski. *See Elk Corp.*, 168 F.3d at 31 ("[A]n otherwise material reference need not be disclosed if it is merely cumulative or less material than other references already disclosed."). This determination is supported by, at least, two areas of evidence.

52. First, and most importantly, EPO Examiner Pulluard identified and relied on the Bush Reference even though he was fully aware via the International Search Report sent by USPTO Examiner Witkowski of the five references that were before the USPTO. EPO Examiner Pulluard received the International Search Report and, therefore, knew about these five references. EPO Examiner Pulluard subsequently discovered the Bush Reference and issued the Supplementary European Search Report identifying the Bush Reference as particularly relevant to as-filed claims 1-5 and 18 of the EPO Counterpart Application. This evidence suggests

*Appendix B*

that the Bush Reference was not cumulative of any information already before Examiner Witkowski during prosecution of the '946 Application at the USPTO.

53. Second, the fact that Dr. Lewis and Mr. Sawyer argued during the prosecution of the '946 Application that an entertainment system including such an MCPS was lacking from the prior art of record, demonstrates that the Bush Reference is not cumulative of any information already before Examiner Witkowski during the prosecution of the '946 Application. *See Monsanto*, 514 F.3d at 1240 n.16 (“A reference cannot be merely cumulative if there is no other reference which ‘refutes, or is inconsistent with,’ a position the applicant has taken in opposing an argument of unpatentability”).

54. Although the Court is mindful that the rules for patentability differ between the United States and the EPO, this Court concludes that the Bush Reference is highly material to at least as-filed claim 18 in the '946 Application and issued claim 16 in the '946 Patent. A reasonable examiner would have considered the Bush Reference important in determining the patentability of the '946 Application. *See Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1382 (Fed. Cir. 1998) (“Materiality . . . embraces any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.”) (internal quotations omitted).

55. The Court finds for the reasons detailed above that the Bush Reference is highly material and not cumulative.

*Appendix B***C. Intent To Deceive**

56. The overwhelming circumstantial evidence leads the Court to find that the Defendants established both Dr. Lewis's and Mr. Sawyer's intent to deceive by clear and convincing evidence.

**1. Knowledge of Materiality**

57. First, both Dr. Lewis and Mr. Sawyer knew that the Bush Reference was material to the patentability of at least as-filed claim 18 in the '946 Application and issued claim 16 in the '946 Patent. *See FMC Corp. v. Manitowoc Co., Inc.*, 835 F.2d 1411, 1416 (Fed. Cir. 1987) ("Considerations touching materiality and applicant's knowledge thereof overlap those touching applicant's intent because of inferences of intent that may be drawn from the former . . .").

58. Dr. Lewis testified that he reviewed the Bush Reference prior to issuance of the '946 Application and believed that the Bush Reference was "relevant" to the patentability of the '946 Application. [Feb. 25 Tr. at 100:22-25]

59. Similarly, Mr. Sawyer testified he received EPO Examiner Pulluard's Supplementary European Search Report on July 24, 1995 and confirmed that Examiner Pulluard identified specific portions (i.e., page, line, and figure numbers) of the Bush Reference that were relevant to, at least, as-filed claim 18 of the EPO Counterpart Application, which was identical to as-filed claim 18 of the

*Appendix B*

'946 Application. [Feb. 26 Tr. at 127:18-128:19]

60. Although Mr. Sawyer did not recall reviewing the Bush Reference, he testified that he believed he would have reviewed the reference and assumes he did at the time. [Feb. 26 Tr. at 135:3-136:5] *See Brasseler*, 267 F.3d at 1380 (“Where an applicant knows of information the materiality of which may so readily be determined, he or she cannot intentionally avoid learning of its materiality . . . .”).

61. As further evidence that Mr. Sawyer understood the materiality of the Bush Reference, Mr. Sawyer testified that, in accordance with MPEP § 2001.06(a), he understood during the pendency of the '946 Application, that the inference that prior art is material is especially strong where it is the only prior art cited or where it has been used in rejecting the same or similar claims in a related foreign application. [Feb. 26 Tr. at 174:23-176:22]

62. In applying that standard to the Bush Reference, Mr. Sawyer testified that, in accordance with MPEP § 2001.06(a), he knew that the Bush Reference was the only prior art cited in the Supplementary European Search Report. Based on that, he knew the inference was strong that the Bush Reference was material to the patentability of the '946 Application. [Feb. 26 Tr. at 174:23 – 176:22]

63. In receiving, reviewing, and understanding Examiner Pulluard's Supplementary European Search Report, Dr. Lewis and Mr. Sawyer knew that the Bush Reference was material to, at least, as-filed claim 18 of the

*Appendix B*

EPO Counterpart Application and its potential materiality to the '946 Application.. Based on the testimony at trial and the credibility of both witnesses, the Court finds that Dr. Lewis and Mr. Sawyer understood that the Bush Reference was material in July 1995.

64. Based upon this circumstantial record including notice of specific information to both Dr. Lewis and Mr. Sawyer, and in consideration of the testimony, demeanor, and credibility of the witnesses at the bench trial, the Court finds that both Dr. Lewis and Mr. Sawyer had actual knowledge of the materiality of the Bush Reference and, despite that knowledge, did not provide the Bush Reference to Examiner Witkowski.

## **2. Lewis and Sawyer's Explanations**

65. The materiality of the Bush Reference and the knowledge of that materiality by Dr. Lewis and Mr. Sawyer have been proven by clear and convincing evidence. Where the party asserting inequitable conduct establishes a threshold level of materiality and intent based on predicate facts, the inquiry next turns to the explanations provided by the patentee to determine whether the patentee can provide a credible explanation that its conduct was in good faith. *See Star Scientific*, 537 F.3d at 1368 (“Only when the accused infringer has met his burden is it incumbent upon the patentee to rebut the evidence of deceptive intent with a good faith explanation for the alleged misconduct.”); *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 30 (Fed. Cir. 1999).

*Appendix B*

66. Here, Plaintiff effectively acknowledged that Defendants satisfied their burden to prove “a threshold level of materiality and intent” when Plaintiff argued to the Court that the order of proof at the bench trial should be reversed because the Plaintiff “will shoulder the burden of producing evidence of good faith”. (D.I. 204 at 3). Yet Dr. Lewis and Mr. Sawyer offered no contemporaneous explanation for their failure to submit the Bush Reference to Examiner Witkowski during prosecution of the ‘946 Application. Both of their after-the-fact explanations are legally irrelevant reconstructions. *See Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1318 (Fed. Cir. 2008) (“Hindsight construction of reasons why a reference might have been withheld cannot suffice as a credible explanation of why, at the time, the reference was not submitted to the [USPTO]”).

67. In addition, at trial Dr. Lewis speculated that he did not disclose the Bush Reference in the ‘946 Application because it “was an oversight that got lost in the cracks.” [Feb. 25 Trial Tr. at 183:2-5]. This claim of inadvertence lacks credibility based on the totality of the circumstances regarding the examination of the ‘946 Application. *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1235 (Fed. Cir. 2007) (“Mistakes do happen, but inadvertence can carry an applicant only so far.”).

68. Further, Dr. Lewis did not supply any reason or detail as to why the purported oversight occurred, and his broad claim of negligence is akin to a simple denial of intent to deceive. *Manitowoc*, 835 F.2d at 1416 (“mere denial of intent to mislead (which would defeat every

*Appendix B*

effort to establish inequitable conduct) will not suffice”). In the totality of the evidence, including Dr. Lewis’s demeanor at trial, this Court finds Dr. Lewis’s explanation unpersuasive.

69. Mr. Sawyer testified that, during the pendency of the ‘946 Application and in accordance with MPEP § 2001.06(a), it was his standard practice to make sure that prior art cited in related foreign applications was submitted to the USPTO in the related U.S. application. [Feb. 26 Tr. at 129:3-130:19; 174:23-176:20]

70. Mr. Sawyer further testified that his standard practice called for him to submit the Bush Reference to Examiner Witkowski in the ‘946 Application. Mr. Sawyer’s failure to submit the Bush Reference contradicts his standard practice, established by his own testimony, at the time.

71. When confronted about this departure from his standard practice, Mr. Sawyer stated that he failed to disclose the Bush Reference because he received the Bush Reference outside of his “active prosecution” window for the ‘946 Patent. Mr. Sawyer testified that this “active prosecution” window extends from the first office action to the receipt of a notice of allowance. Mr. Sawyer also testified that during “active prosecution” he would only consider the patentability of the ‘946 Application claims when the file was “on his desk.” The “active prosecution” window Mr. Sawyer described at trial appears to be arbitrary and without relevance. This Court finds no support in the law or in the MPEP for the duty of candor

*Appendix B*

to be so limited. Furthermore, Mr. Sawyer testified that he understood that the duty of disclosure extends from the filing of an application through the issuance of the patent. [Feb. 26 Tr. at 131:1-15]

72. When considered under all the facts, however, this explanation proves to be implausible. Specifically, the Notice of Allowance for the '946 Application was mailed on May 2, 1995. Mr. Sawyer received the Supplementary European Search Report and the Bush Reference on July 24, 1995. Mr. Sawyer paid the issue fee and deposited the issue fee in the mail on August 1, 1995. Under this timeline, the '946 Application would have been "on his desk" when he received the Bush Reference.

73. As described above, Mr. Sawyer's offered explanation is contradicted by the facts and, therefore, is not a reasonable or credible explanation for his conduct. *See Critikon*, 120 F.3d at 1257-58 (reversing the district court and holding the patent unenforceable in part because the record "does not reveal a single instance where [the applicants] provided a good faith explanation for the exclusion"). *See Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1318 (Fed. Cir. 2008) ("Hindsight construction of reasons why a reference might have been withheld cannot suffice as a credible explanation of why, at the time, the reference was not submitted to the [USPTO]").

74. Mr. Sawyer's trial testimony contradicted his previously submitted sworn declaration. For example, at trial, Mr. Sawyer testified that his failure to submit the Bush Reference had nothing to do with the Bush



*Appendix B*

Reference lacking a karaoke disclosure. [See, e.g., Feb. 26 Tr. At 136:6-16] His sworn declaration, however, specifically pointed to the karaoke issue as a reason for his failure to submit the Bush Reference. Mr. Sawyer's testimony deteriorates his credibility and suggests the post-hoc creation of explanations.

75. As a final example, Mr. Sawyer also attempted to excuse his failure to disclose the Bush Reference based on the content of the transmittal letter from Mr. Wright which conveyed the EPO search report to Sawyer. In a postscript in that transmittal letter, Mr. Wright stated: "the prior art seems to be of limited relevance." This excuse is without merit. Indeed, Mr. Sawyer testified that Mr. Wright's postscript alone would not have been a reason for failing to submit the Bush Reference to Examiner Witkowski. [Feb. 26 Tr. at 137:5-9] That makes sense, because a natural reading of Mr. Wright's reference to "limited relevance" is that the EPO search report specifically identified Bush as "particularly relevant" to only six of the 31 claims in the EPO Counterpart Application, so that even if it proved to render those claims unpatentable, it would not jeopardize the majority of the claims for which patent protection was being sought. One would not expect a substantive analysis of the prior art to be portrayed cryptically, as an afterthought, in the "P.S." section of a transmittal letter. It is significant to this proffered excuse that the letter Mr. Sawyer relies upon from Mr. Wright does not say that Mr. Wright had performed any analysis of the Bush Reference and that Mr. Sawyer acknowledged that he did not follow-up in any way with Mr. Wright on this subject. [Feb. 26 Tr. at 139:21- 140:9]

*Appendix B*

76. In conclusion, having carefully considered the circumstantial evidence and the demeanor and credibility of the witnesses' trial testimony, this Court finds that Dr. Lewis and Mr. Sawyer knew that the Bush Reference was material. Despite this knowledge, neither disclosed the Bush Reference to the USPTO, and neither offered a credible or even plausible explanation for the failure to disclose. In presenting this evidence, both men proved to be poor trial witnesses that the Court found to lack credibility. [See, e.g., Feb. 25 Tr. at 130:6-133:20; 133:21-136:15; 146:14-154:9; 157:6-161:11; 213:12-214:6; see also, e.g., Feb. 26 Tr. at 131:1- 140:9; 141:13-142:11] The Court finds that Dr. Lewis's testimony was at times evasive and some of his testimony was exposed as unreliable; Mr. Sawyer's testimony was repeatedly contradicted by the facts as well as his previous declaration.

**D. Inequitable Conduct**

77. Having determined that materiality and intent have been established by clear and convincing evidence, the Court further finds that the "scales tilt to a conclusion that inequitable conduct occurred." *Critikon*, 120 F.3d at 1256 (internal quotations omitted). Here, Dr. Lewis and Mr. Sawyer were both aware of the Bush Reference and knew that the Bush Reference was material. Despite this knowledge, neither man offered any plausible or credible explanation for the failure to disclose the Bush Reference. Based on the totality of the evidence and having considered every possible inference, this Court determines that Defendants have shown by clear and convincing evidence that the single most reasonable inference is that both Dr.

*Appendix B*

Lewis and Mr. Sawyer individually and collectively failed to disclose the Bush Reference with the specific intent to deceive the USPTO.

78. Further, neither man offered any indication whatsoever of good faith, or really any effort to comport with their known duty of candor to the USPTO. The Court finds the conduct of both Dr. Lewis and Mr. Sawyer to be sufficiently culpable to constitute inequitable conduct and to render the '946 patent unenforceable.

**II. Inequitable Conduct Related To Information Learned During Prosecution Of Copending United States Patent Applications (the Baji Reference, the Hoarty Reference, Examiner Chan's Rejection, Examiner Hong's Rejection)**

**A. Background Of United States Patent No. 5,325,423**

79. Dr. Lewis filed U.S. Patent Application No. 07/975,824 ("the '423 Application") on November 13, 1992, which issued as U.S. Patent No. 5,325,423 ("the '423 Patent") on June 28, 1994. [PPFF ¶ 34]

80. Dr. Lewis filed the '423 Application and the '946 Application in the USPTO on the same day. [DX 2, 4]

81. Dr. Lewis is listed as the sole inventor on the '423 Patent and the '423 Application. [PPFF ¶ 35]

82. Mr. Sawyer was the prosecuting attorney for the '423 Application. [PPFF ¶ 36]

*Appendix B*

83. The text of as-filed claim 7 of the '423 Application recites:

A communications network for interactive multimedia transmission comprising:

interactive multimedia mastering system means for receiving program materials from a program source;

multimedia call processing system responsive to multimedia mastering system program materials for providing information; means interactively responsive to the interactive multimedia mastering system means and the multimedia call processing system for controlling the flow of multimedia information to the multimedia call processing system; and

a plurality of interactive multimedia devices (IMD) for receiving and transmitting multimedia information to and from the multimedia call processing system.

[PPFF ¶ 42]

84. The IMM, MCPS, and IMD terminology in this claim are the same coined terms used in claim 16 of the '946 patent.

85. The '423 Application was assigned to USPTO Examiner Jason Chan. [DX 3]

*Appendix B*

86. On July 16, 1993, Examiner Chan mailed Mr. Sawyer a Non-Final Office Action for the '423 Application ("Examiner Chan's Rejection"). [DX 4 at 69-82]

87. Examiner Chan's Rejection stated that independent claim 7 of the '423 Application was rejected as anticipated by, among other references, U.S. Patent No. 5,027,400 to Baji ("the Baji Reference"). [PPFF ¶ 38]

88. Examiner Chan's Rejection stated that:

Baji discloses a multimedia system comprising:

interactive multimedia mastering system [IMM] (101, 101, 105, 130, 132, 107, 165);  
multimedia call processing system [MCPS] (108, 109);  
means (106) for controlling the flow of multimedia information;  
and a plurality of interactive multimedia devices [IMDs] (116).  
[DX 4 at 74-75]

89. In addition, Examiner Chan's Rejection stated that as-filed claim 7 was unpatentable under 35 U.S.C. § 112, first paragraph, because "[t]he operation and structure of the Interactive Multimedia Mastering System and Multimedia Call Processing System is not clearly set forth." [DX 4 at 71]

90. On October 29, 1993, Mr. Sawyer responded to Examiner Chan's Rejection by cancelling independent claim 7 and claims depending therefrom in the '423 Application. [PPFF ¶ 41]

*Appendix B*

91. The '423 Application and the '946 Application were co-pending for at least one year and seven months, from November 13, 1992, when both applications were filed until the '423 Patent issued on June 28, 1994. [PPFF ¶ 37]

92. The '423 Application and the '946 Application have seven figures in common. [DX 1 at FIGs. 3-9; DX 3 at FIGs. 3-9]. Seven of those figures are substantively identical and depict preferred embodiments of the IMM, IMD, and MCPS (Figures 3-9 in particular).

93. The '423 Application and the '946 Application contain seven columns of identical description, which Mr. Sawyer testified that he copied from one application to the other. [DX 1 at 4:62-11:63; DX 3 at 6:4-13:24]. Specifically, Mr. Sawyer copied the descriptions of the IMM, IMD, and MCPS from one application to the other. For example:

- the IMM is described identically in the '423 and '946 Applications. [DX 1 at 4:62-9:49; DX 3 at 6:4-11:5]
- the MCPS is described identically in the '423 and '946 Applications, and the preferred embodiment of this element is disclosed in Figure 8 of the '423 Application, which is identical to Figure 8 of the '946 Application. [DX 1 at 9:50-10:1; DX 3 at 11:6-25]
- the IMD is described identically in the '423 and '946 Applications, and the preferred embodiment of this element is disclosed in Figure 9 of the '423 Application, which is identical to Figure 9 of the '946 Application. [DX 1 at 10:6-11:63; DX 3 at 11:38-13:24]

*Appendix B*

94. Despite these overlapping disclosures with respect to coined terms that appeared in both as-filed claim 18 of the '946 Application (as well as issued claim 16 in the '946 Patent) and as-filed claim 7 of the '423 Application, Dr. Lewis and Mr. Sawyer did not disclose the Baji Reference to Examiner Witkowski during prosecution of the '946 Application. [PPFF ¶ 40]

95. Dr. Lewis and Mr. Sawyer did not disclose Examiner Chan's Rejection to Examiner Witkowski. [PPFF ¶ 40]

96. Examiner Witkowski did not cite or rely upon the Baji Reference or Examiner Chan's Rejection of as-filed claim 7 of the '423 Application during prosecution of the '946 Application. [DX 2]

**B. Background Of United States Patent No. 5,564,001**

97. Dr. Lewis filed U.S. Patent Application No. 08/265,391 ("the '001 Application") on June 24, 1994 as a "continuation in-part" of the '423 Application. The '001 Application issued as U.S. Patent No. 5,564,001 ("the '001 Patent") on October 1, 1996. [PPFF ¶ 51]

98. Dr. Lewis is listed as the sole inventor on the '001 Patent and the '001 Application. [PPFF ¶ 52]

99. Mr. Sawyer was the prosecuting attorney for the '001 Application. [PPFF ¶ 53]

*Appendix B*

100. The text of as-filed claim 1 of the '001 Application recites:

A communications network for interactive multimedia transmission comprising:

interactive multimedia mastering (IMM) system means for receiving program materials from a program source, the IMM system for separating the program materials into primary and secondary layers;

multimedia call processing system responsive to the interactive multimedia mastering system program materials for providing information;

means interactively responsive to the interactive multimedia mastering system means and the multimedia call processing system for controlling the flow of multimedia information to the multimedia call processing system; and

a plurality of interactive multimedia devices (IMD) for receiving and transmitting multimedia information to and from the multimedia call processing system,



*Appendix B*

[sic] wherein the multimedia call processing system receives a control signal from at least one of the plurality of IMDs by voice mode, the multimedia call processing system branches in accordance with the program materials, the multimedia call processing system including means for switching to a data mode, the multimedia call processing system transmits the appropriate data back to the at least one of the plurality of IMDs and the multimedia call processing system returns to the voice mode. [DX 10 at 67-68]

101. The '001 Application was assigned to USPTO Examiner Stephen Hong. [DX 9]

102. On June 12, 1995, Examiner Hong mailed Mr. Sawyer a Non-Final Office Action for the '001 Application ("Examiner Hong's Rejection"). [DX 10 at 87]

103. Examiner Hong's Rejection stated that independent claim 1 was rejected as obvious in view of U.S. Patent No. 5,220,420 to Hoarty et al. ("the Hoarty Reference"). [PPFF ¶ 55]

104. Examiner Hong's Rejection stated that:

With respect to independent claim 1, Hoarty discloses the claimed apparatus including:

*Appendix B*

Applicant claimed means for receiving program materials . . . (in the prior art, column 7, line 5 . . .);

the multimedia call processing system (column 8, line 13 . . .); . . .

a plurality of interactive multimedia devices (column 8, line 19 . . . and line 37 . . . . [DX 10 at 96-97]

105. On September 12, 1995, Mr. Sawyer responded to Examiner Hong's Rejection by cancelling independent claim 1 in the '001 Application. [PPFF ¶ 58]

106. The '001 Application and the '946 Application were co-pending for at least one year and four months, from June 24, 1994, the filing date of the '001 Application, until the '946 Patent issued on November 7, 1995. [PPFF ¶ 54]

107. The '001 Application contains the same copied portions of the description and figures as described above in discussing the '423 Application. More specifically, the IMM, MCPS, and IMD are described identically in the '001 and '946 Applications. [DX 1 at 4:62-9:49, 9:50-10:1, 10:6-11:63; DX 9 at 6:58-12:11, 12:12-30, 12:43-14:27]

108. Despite these identical features, Dr. Lewis and Mr. Sawyer did not disclose the Hoarty Reference to Examiner Witkowski in the '946 Application. [PPFF ¶ 57]

*Appendix B*

109. Dr. Lewis and Mr. Sawyer did not disclose Examiner Hong's Rejection nor the fact that Examiner Hong rejected claim 1 of the '001 Application to Examiner Witkowski. [PPFF ¶ 57]

110. Examiner Witkowski did not cite or rely upon the Hoarty Reference or Examiner Hong's Rejection of as-filed claim 1 of the '001 Application during prosecution of the '946 Application. [DX 2]

**C. Materiality**

111. Defendants assert that the Baji Reference, the Hoarty Reference, Examiner Chan's Rejection, and Examiner Hong's Rejection are each material. The Court agrees.

**1. The Baji Reference**

112. Section 2001.06(b) of the MPEP 5th Edition, revision 14 (effective November, 1992) provided in part that "prior art references from one application must be made of record in another subsequent application if such prior art references are 'material to patentability' of the subsequent application." Here, Examiner Chan identified specific portions of the Baji Reference that were relied upon by Examiner Chan to reject claim 7 of the '423 Application.

113. Examiner Chan noted that specific portions of the Baji Reference disclosed the IMM, MCPS, and IMD components of claim 7 of the '423 Application.

*Appendix B*

114. The Court determines that those components were also included in as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent, and were described using highly similar, and predominantly identical, figures and written descriptions.

115. Moreover, Dr. Lewis testified that the Baji Reference discloses an entertainment system with a fee feature and that he was aware that Examiner Chan believed the Baji Reference disclosed an MCPS.

116. This Court finds that Dr. Zyda's Declaration provided a clear explanation of why the Baji Reference is material to the '946 Application. According to Dr. Zyda, the Baji Reference discloses a multimedia bidirectional broadcast entertainment system that can be use for home shopping and video downloads. The Baji Reference discloses an overall system that includes devices similar to an IMM, IMD, and MCPS as recited in as-filed claim 18 in the '946 Application and issued claim 16 of the '946 Patent. Nothing in Dr. Loy's declaration disputes this description of the Baji Reference. [D.I. 259.]

117. Therefore, in light of the Baji Reference itself as well as Examiner Chan's reliance and the statements he made in reliance thereon, the Court finds that the Baji Reference is material information that should have been disclosed.

118. The Court further concludes that the Baji Reference was not cumulative of art already before Examiner Witkowski during prosecution of the '946 Application.

*Appendix B*

119. It is instructive that Dr. Lewis and Mr. Sawyer sought to overcome Examiner Witkowski's initial rejection of claim 16 of the '946 Patent (as-filed claim 18) by arguing that none of the prior art Examiner Witkowski had found disclosed an entertainment system that included the MCPS and fee features of claim 16. [DX2 at 365.] However, as noted above, Examiner Chan stated that the Baji Reference disclosed a system including an MCPS and Dr. Lewis admitted that Baji disclosed an entertainment system with a fee feature. Whether or not the MCPS of claim 16 is identical to that in the claim before Examiner Chan, Baji cannot be viewed as cumulative. *See Monsanto*, 514 F.3d at 1240 n.16 ("A reference cannot be merely cumulative if there is no other reference which 'refutes, or is inconsistent with,' a position the applicant has taken in opposing an argument of unpatentability").

120. In sum, the Court concludes that the Baji Reference is highly material to, at least, as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent because a reasonable examiner reviewing the '946 Application would have considered the Baji Reference important in determining the patentability of the '946 Application. *McKesson*, 487 F.3d at 908, 918 (upholding a finding that a prior art reference used to reject a claim in a copending application by the same inventor is highly material). Additionally, the Court concludes that the Baji Reference is not cumulative of any information that was already before Examiner Witkowski during the prosecution of the '946 Application.

*Appendix B*

121. The Court determines that the Baji Reference, which was cited in Examiner Chan's Rejection, is independently material and should have been disclosed to Examiner Witkowski regardless of the substantial similarity of the claims in question.

**2. The Hoarty Reference**

122. Specifically, Examiner Hong identified specific portions of the Hoarty Reference that he relied upon to reject claim 1 of the '001 Application. In identifying these portions, Examiner Hong noted that these portions disclosed an IMM, an IMD, and an MCPS.

123. The Court determines that those components also were included in as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent, and were described using highly similar, and predominantly identical, figures and written descriptions.

124. According to Dr. Zyda, the Hoarty Reference discloses an interactive multimedia entertainment system that distributes video picture information and associated sound through a cable television system. The Hoarty Reference discloses an overall system that includes devices similar to an IMM, IMD, and MCPS as recited in as-filed claim 18 in the '946 Application and issued claim 16 of the '946 Patent. Nothing in Dr. Loy's declaration disputes this description of the Hoarty Reference. (D.I. 259).

*Appendix B*

125. Therefore, in light of Examiner Hong's citation to the Hoarty Reference in rejecting core elements in the co-pending '001 Application that also were present in the '946 Application, the Court finds that the Hoarty Reference is material information that should have been disclosed.

126. The Court further concludes that the Hoarty Reference was not cumulative of art already before Examiner Witkowski during prosecution of the '946 Application for the same reasons identified above with respect to the Baji Reference, as the same factors underlying that conclusion apply to the Hoarty Reference as well. *See, e.g., Monsanto*, 514 F.3d at 1240 n.16.

127. Accordingly, the argument that Dr. Lewis and Mr. Sawyer made for patentability to overcome Examiner Witkowski's initial rejection of the '946 Application could not have been made if the Hoarty Reference had been before Examiner Witkowski. Regardless of this statement, however, the Court concludes that the Hoarty Reference is highly material because it discloses devices that are similar to what Dr. Lewis and Mr. Sawyer refer to as an IMM, IMD, and MCPS.

128. In sum, the Court concludes that the Hoarty Reference is highly material to, at least, as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent because a reasonable examiner reviewing the '946 Application would have considered the Hoarty Reference important in determining the patentability of the '946 Application. *McKesson*, 487 F.3d at 908, 918. Additionally, the Court concludes that the Hoarty Reference is not

*Appendix B*

cumulative of any information that was already before Examiner Witkowski during the prosecution of the '946 Application.

129. The Court next determines that the Hoarty Reference, which was cited in Examiner Hong's Rejection, is independently material and should have been disclosed to Examiner Witkowski regardless of the substantial similarity of the claims in question.

### **3. Examiner Chan's Rejection and Examiner Hong's Rejection**

130. The Court further determines that Examiner Chan's Rejection and Examiner Hong's Rejection are each material and each should have been disclosed to Examiner Witkowski.

131. The law requires that "material rejections in one prosecution be disclosed to the examiner in a co-pending case." *See McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 2006 WL 1652518, at \*16 (E.D. Cal. June 13, 2006) *aff'd* 487 F.3d 897 (Fed. Cir. 2007). Materiality of a claim rejection is measured using the same "reasonable examiner" standard discussed previously. One way of assessing this standard in the context of claim rejections is to consider whether the rejected claims were "substantially similar" to one or more claims pending in the co-pending applications. *Dayco*, 329 F.3d at 1368.

132. Importantly, the test is whether a reasonable examiner would consider the copending claim rejection



*Appendix B*

important when considering a claim pending in the copending application. Thus, the Court can look to substantial similarity -- the law does not require that the claims be identical to trigger the disclosure requirement. *Dayco*, 329 F.3d at 1368.

133. Here, the Court must determine whether the rejected claims of the '423 Application and the '001 Application are substantially similar to the as-filed claims of the '946 Application and issued claims of the '946 Patent such that a reasonable examiner would consider those rejections important.

134. Admittedly, the claims in each application are not identical. But all three claim sets contain three overlapping claim components that were "coined" by Dr. Lewis and that were unique to his patents. *See McKesson*, 2006 WL 1652518, at \*17 (determining that claim sets with overlapping terms satisfied the substantial similarity test) *aff'd* 487 F.3d 897 (Fed. Cir. 2007). Specifically, all three claim sets included the IMM, IMD, and MCPS components, and as described above, those components were described in the respective applications using copied written description and substantively identical drawings.

135. The Court also notes that Dr. Zyda opined that as-filed claim 7 of the '423 Application and as-filed claim 1 of the '001 Application are substantially similar to as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent.

*Appendix B*

136. Therefore, the Court concludes that, at a minimum, as-filed claim 7 of the '423 Application and as-filed claim 1 of the '001 Application each are substantially similar to as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent.

137. More specifically, with respect to Examiner Chan's Rejection, rejected claim 7 of the '423 Application is substantially similar to at least as-filed claim 18 of the '946 Application and claim 16 of the '946 Patent. Accordingly, Examiner Chan's Rejection based on invalidating prior art was material to the '946 prosecution. Indeed, rejected claim 7 of the '423 Application included limitations directed toward all three core components that were also found in as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent. Moreover, Examiner Chan's Rejection provided interpretations of Dr. Lewis's three "coined" terms. In addition, Examiner Chan also rejected claim 7 of the '423 Application on a separate ground that also would have been important to '946 prosecution. Examiner Chan determined that there was insufficient enabling disclosure (under 35 U.S.C. § 112, second paragraph) for the operation and structure of the Interactive Multimedia Mastering System (IMM) and Multimedia Call Processing System (MCPS).

138. Furthermore, Dr. Lewis and Mr. Sawyer ultimately abandoned claim 7 of the '423 Application in response to Examiner Chan's Rejection, without attempting to distinguish the prior art in any way which is further evidence of materiality. *McKesson*, 487 F.3d at 922 (finding that acquiescing in claim rejections is indicative of

*Appendix B*

materiality). For all these reasons, a reasonable examiner would have considered the fact that Examiner Chan rejected claims containing the same core components that were described in the written descriptions in a highly similar manner very important.

139. Additionally, with respect to Examiner Hong's Rejection, rejected claim 1 of the '001 Application is substantially similar to at least as-filed claim 18 of the '946 Application and issued claim 16 of the '946 Patent. And, similar to the above, Examiner Hong's Rejection would have been important to Examiner Witkowski because Examiner Hong's Rejection provided interpretations of Dr. Lewis's three "coined" terms and because Dr. Lewis and Mr. Sawyer ultimately abandoned claim 1 of the '001 Application in response to Examiner Hong's Rejection. Therefore, a reasonable examiner would have considered the fact that Examiner Hong rejected claims containing the same core components very important. *See McKesson*, 2006 WL 1652518 at \*19 *aff'd* 487 F.3d 897 (Fed. Cir. 2007).

140. In sum, Examiner Chan's Rejection and Examiner Hong's Rejection were highly material because (1) both rejections involved a claim substantially similar to at least one claim pending in the '946 Application, (2) both rejections directly addressed the three terms "coined" by Dr. Lewis and unique to his patents, and (3) Dr. Lewis and Mr. Sawyer ultimately cancelled as-filed claim 7 of the '423 Application and as-filed claim 1 of the '001 Application in response to both rejections. *McKesson*, 487 F.3d at 920-21 (finding that the materiality of a rejection of a substantially similar claim is magnified).

*Appendix B***D. Intent to Deceive**

141. Having determined that the Baji Reference, the Hoarty Reference, Examiner Chan's Rejection and Examiner Hong's Rejection are each highly material and not cumulative, the Court next addresses whether the Defendants established intent to deceive by clear and convincing evidence.

142. As explained below, the circumstantial evidence leads to the single inference that Dr. Lewis and Mr. Sawyer each individually intentionally withheld each piece of information with the specific intent to deceive the USPTO.

**1. The Baji Reference**

143. Both Dr. Lewis and Mr. Sawyer knew that the Baji reference was material. Specifically, both Dr. Lewis and Mr. Sawyer acknowledged that they received and reviewed Examiner Chan's Rejection and the Baji Reference while the '946 Application was pending.

144. Dr. Lewis and Mr. Sawyer both knew that the three components claimed in as-filed claim 18 and issued claim 16 of the '946 Application—the IMM, IMD, and MCPS—were also claimed in the '423 Application. Dr. Lewis and Mr. Sawyer both knew that the three components were described in the '423 Application using identical written description and figures as in the '946 Application.

*Appendix B*

145. Dr. Lewis and Mr. Sawyer both knew that Examiner Chan's Rejection identified specific portions of the Baji Reference that disclosed an IMM, IMD, and MCPS— the three components included in as-filed claim 18 and issued claim 16 of the '946 Application.

146. Also, Dr. Lewis and Mr. Sawyer told Examiner Witkowski in writing in February 1995 that “the cited references” did not disclose attributes that Examiner Chan had told them before February 1995 were in fact disclosed by the Baji Reference. The careful wording of the February 1995 statement, made at a time when Dr. Lewis and Mr. Sawyer were aware of the Baji Reference and Examiner Chan's interpretation of it, was at best misleading and further supports the inference of intent to deceive. *LaBounty Mfg., Inc. v. United States ITC*, 958 F.2d 1066, 1076 (Fed. Cir. 1992) (“the evidence amply supports an inference [of] culpable intent to mislead or deceive the PTO by withholding [prior art] and by making an argument for patentability which could not have been made had the art been disclosed”) (citing *Fox Indus. v. Structural Preservation Sys.*, 922 F.2d 801, 17 USPQ2d 1579 (Fed.Cir. 1990)).

147. In light of all the evidence, this Court concludes that Dr. Lewis and Mr. Sawyer knew of the materiality of the Baji Reference.

## **2. The Hoarty Reference**

148. Dr. Lewis and Mr. Sawyer knew that the Hoarty Reference was material. Specifically, both Dr. Lewis

*Appendix B*

and Mr. Sawyer acknowledged that they received and reviewed Examiner Hong's Rejection and the Hoarty Reference while the '946 Application was pending.

149. Dr. Lewis and Mr. Sawyer both knew that the three components claimed in as-filed claim 18 and issued claim 16 of the '946 Application—the IMM, IMD, and MCPS—were also claimed in the '001 Application. Dr. Lewis and Mr. Sawyer both knew that the three components were described in the '001 Application using identical written description and figures as in the '946 Application.

150. Dr. Lewis and Mr. Sawyer both knew that Examiner Hong's Rejection identified specific portions of the Hoarty Reference that disclosed an IMM, IMD, and MCPS—the three components included in as-filed claim 18 and issued claim 16 of the '946 Application.

151. Also, Dr. Lewis and Mr. Sawyer told Examiner Witkowski in writing in February, 1995 that “the cited references” did not disclose attributes that Examiner Hong told them after February, 1995 were disclosed by the Hoarty Reference. The failure to supplement the February, 1995 statement when Examiner Hong brought the Hoarty Reference to their attention further supports the inference of intent to deceive. *LaBounty*, 958 F.2d at 1076.

152. In light of all the evidence, this Court concludes that Dr. Lewis and Mr. Sawyer knew of the materiality of the Hoarty Reference.

*Appendix B***3. Examiner Chan's Rejection and Examiner Hong's Rejection**

153. Moreover, Dr. Lewis and Mr. Sawyer also knew that the claims of the '423 Application were substantially similar to the claims of the '946 Application. Specifically, they knew that both applications claimed the same three components: IMM; MCPS; and IMD. They also knew that these three components were identically described in each specification. Finally, they knew that these three terms were "coined" by Dr. Lewis and unique to the '423 Application, the '001 Application, and the '946 Application. The Court infers, based on Dr. Lewis's technical expertise and Mr. Sawyer's patent prosecution expertise, that both Dr. Lewis and Mr. Sawyer understood the implications of Examiner Chan's Rejection and the Baji Reference as well as Examiner Hong's Rejection and the Hoarty Reference after reviewing them.

154. After receiving and reviewing Examiner Chan's Rejection and the Baji Reference, Dr. Lewis and Mr. Sawyer cancelled as-filed claim 7 of the '423 Application. The Court finds this fact to be evidence that Dr. Lewis and Mr. Sawyer knew that Examiner Chan's Rejection constituted material information.

155. In light of all the evidence, including the evidence discussed above with regard to the materiality and intent elements for the Baji Reference, this Court concludes that Dr. Lewis and Mr. Sawyer knew of the materiality of Examiner Chan's Rejection.

*Appendix B*

156. Similarly, Dr. Lewis and Mr. Sawyer knew that (1) Examiner Hong's Rejection identified specific information in the Hoarty Reference that was relevant to the '946 Application; (2) the claims in the '001 Application and the '946 Application contained the same three "coined" components that were described using identical passages; and (3) that these three "coined" components were unique to the '423 Application, the '001 Application, and the '946 Application.

157. The similarities with Examiner Chan's Rejection and the Baji Reference continue because after receiving and reviewing Examiner Hong's Rejection and the Hoarty Reference, Dr. Lewis and Mr. Sawyer cancelled as-filed claim 1 of the '001 Application. The Court finds this fact to be evidence that Dr. Lewis and Mr. Sawyer knew that Examiner Hong's Rejection and the Hoarty Reference constituted material information.

158. In light of all the evidence, including the evidence discussed above with regard to the materiality and intent elements for the Hoarty Reference, this Court concludes that Dr. Lewis and Mr. Sawyer knew of the materiality of Examiner Hong's Rejection.

#### **4. Lewis's and Sawyer's Explanations**

159. As noted above in the context of the non-disclosure of the Bush Reference, because Defendants established a threshold level of materiality and intent, the analysis next turns to the explanation provided by Dr. Lewis's and Mr. Sawyer for failure to disclose the Baji and



*Appendix B*

Hoarty References and the Chan and Hong Rejections. *Star Scientific*, 537 F.3d at 1368 (where defendant satisfies threshold showing, “it is incumbent upon the patentee to rebut the evidence of deceptive intent with a good faith explanation for the alleged misconduct.”)

160. The explanations proffered by Dr. Lewis and Mr. Sawyer at trial, however, failed to provide a good faith justification for their actions. Their explanations suffered from inconsistency, a lack of credibility and a lack of common sense. While the absence of a good faith explanation cannot be the only evidence of deceptive intent, *Star Scientific*, 537 F.3d at 1368, a proffered explanation that is discredited at trial can lend support to a finding of deceptive intent where a threshold showing of intent has already been made.. *See, e.g., Therasense*, 593 F.3d at 1306 (noting that the district court found that the applicant’s “explanations for withholding the [material information] were so incredible that they suggested an intent to deceive.”); *Star Scientific*, 537 F.3d at 1368.

161. The Court first addresses Dr. Lewis’s offered explanation. Dr. Lewis testified at his deposition, and later in the declaration he submitted in support of Plaintiff’s summary judgment motion on intent, that he did not disclose the Baji Reference, Hoarty Reference, Examiner Chan’s Rejection or Examiner Hong’s Rejection because the ‘946 Application fell into a different technological “bucket” than the ‘423 Application or the ‘001 Application. Dr. Lewis added that his various patents fell into four different buckets. According to Dr. Lewis, his ‘946 Application fell into “bucket 1” -- which he

*Appendix B*

titled “interactive multimedia entertainment or creative participant interactivity” -- while his ‘423 Application and his ‘001 Application both fell into “bucket 2,” which he titled “interactive communication systems and the interactive production of content.”

162. The Court finds Dr. Lewis’s “bucket” theory not credible for multiple reasons.

163. First, Dr. Lewis did not apply this “bucket” theory consistently in making disclosure decisions in his other pending applications. Based on Dr. Lewis’s testimony, in which he excused his failure to disclose material information to one patent examiner because the information came to his attention from a different examiner assigned to an application that fell into a different “bucket,” one would expect that where material information came to his attention in an application that fell into the very same “bucket” as a second application, he would disclose that information to the second application’s examiner. But he admitted at trial that he did not do that. In other words, the “bucket” theory simply does not explain Dr. Lewis’s conduct.

164. Specifically, Dr. Lewis admitted at trial that he had three other pending applications (apart from the ‘946, ‘423 and ‘001): U.S. Patent No. 6,638,426 (“the ‘426 Application”); U.S. Patent No. 5,488,411 (“the ‘411 Application”); and U.S. Patent No. 5,612,730 (“the ‘730 Application”). All three of these applications had the identical title: “Interactive System for a Closed Cable Network.” According to Dr. Lewis, both the ‘426 and

*Appendix B*

'411 Applications could reasonably be viewed as falling into "bucket 4," which Dr. Lewis labeled "closed cable systems." [Feb. 25 Tr. at 197:15-22; 199:5-9] The identical title and other characteristics of the '730 application strongly suggest that it would also reasonably fall into bucket 4. [DX 14]

165. As it happens, claims in the '426 Application, the '411 Application, and the '730 Application were each rejected, by three different examiners, on the basis of their independent discoveries of the "Eggers" patent (U.S. Patent No. 4,920,432) over a period of 16 months. Since each examiner rejected claims on the basis of Eggers there can be no question that the Eggers patent was material to each of them. Yet when the first examiner found Eggers and rejected the '411 Application in February of 1995, neither Dr. Lewis nor Mr. Sawyer disclosed Eggers to the examiners responsible for the other two applications that were in the same "bucket." Nor, when the second examiner found Eggers on his own 8 months later (rejecting the '411 application), did Dr. Lewis or Mr. Sawyer disclose Eggers to the third examiner, responsible for '730 Application. Instead, Dr. Lewis and Mr. Sawyer remained silent, leaving each examiner to find Eggers on his or her own. Dr. Lewis admitted these facts at trial. [Feb. 25 Tr. at 209:6-19.] In short, the evidence at trial revealed that Dr. Lewis made no disclosures of material information to different patent examiners whether his applications fell into different "buckets" or the same ones.

166. Second, Dr. Lewis's bucket categories were rejected by the USPTO in one clear instance. Dr. Lewis

*Appendix B*

testified that his '423 Application fell into "bucket 2" and the '426 Application fell into "bucket 4." However, USPTO Examiner Stella Woo did not believe that there was a meaningful difference in the technologies. She issued a double patenting rejection of the '426 Application, finding that the "subject matter disclosed in the [426] application is fully disclosed in the [423] patent and is covered by the [423] patent since the [423] patent and the [426] application are claiming common subject matter..."

167. Third, Dr. Lewis admitted at trial that the borderlines of his "buckets" were subjective, making them entirely unsuitable for a good faith limitation on a determination of materiality. For example, at trial Dr. Lewis initially placed his '411 Application within "bucket 3" (which he labeled "Telephony"). But when told that Dr. D. Gareth Loy, Plaintiff's expert, believes the '411 and '426 patents address the same technology, [Feb. 25 Tr. at 199:2-4]; D.I. 259-1, ¶¶ 17-19, 26, 29, Dr. Lewis promptly acknowledged that "different experts might make different arguments for close cable [bucket 4], whether it doesn't close cable, or whether it goes into telephony [bucket 3]." [Feb. 25 Tr. at 199:5-9.] If credited, the disingenuous "bucket" theory would effectively constitute an admission that Dr. Lewis put blinders on his duty of candor to the USPTO.

168. In addition, Dr. Lewis's explanation was also contradicted by undisputed facts. Dr. Lewis stated that he did not think to disclose the Baji Reference or the Hoarty Reference because they were identified to him by the examiners in the '423 and '001 Applications and

*Appendix B*

those applications did not “[come] close to claiming an entertainment system.” [D.I. 160, ¶¶ 12-13] But those applications both referenced “Karaoke,” DX 3 at 1:31-44; DX 9 at 1:42-55, and Dr. Lewis admitted at trial that both the Baji Reference and the Hoarty Reference disclose entertainment systems (a video on demand system for consumer entertainment in Baji, [DX 20] and a system for on demand television programming in Hoarty. [DX 22]). [Feb. 25 Tr. at 163:1-164:6; 168:21-169:6].

169. Finally, the “bucket theory” is inconsistent with common sense. The extensive, undisputed overlap in the three co-pending patent applications illustrates that the difference in the technologies at issue were not of the sort that could possibly justify disregarding the rejections or prior art that occurred in the other applications, or credibly account for Dr. Lewis’s position that it simply “did not occur” to him to make disclosures.

170. Having carefully considered the circumstantial evidence and the demeanor and credibility of the trial testimony, this Court finds that Dr. Lewis knew that Examiner Chan’s Rejection, Examiner Hong’s Rejection, the Baji Reference, and the Hoarty Reference were material. Despite this knowledge, Dr. Lewis failed to disclose any of them to the USPTO, and he failed to offer a credible or even plausible explanation for his actions. Based on the totality of the evidence, and having considered all plausible inferences, this Court determines that the single most reasonable inference is that Dr. Lewis failed to disclose each of these four pieces of information with the specific intent to deceive the USPTO.

*Appendix B*

171. Although Dr. Lewis's conduct suffices to support a finding of inequitable conduct, Mr. Sawyer's actions also independently justify an inequitable conduct finding. Mr. Sawyer testified that during the pendency of the '946 Application, his standard practice was to call applications belonging to the same applicant to the attention of the examiner when the applications might be material to one another. He stated that this standard practice complied with MPEP § 2004, paragraph 9, and that he understood that he could not rely on the examiner of one application to be aware of other applications belonging to the same applicant or assignee. [Feb. 26 Tr. at 62:3-63:5; 64:12-25]

172. Mr. Sawyer failed to notify Examiner Witkowski about the '423 Application or the '001 Application. When confronted about his failure to notify Examiner Witkowski about the rejections in the '423 and '001 Applications, Mr. Sawyer stated that he had roughly 170 open applications on his docket during the prosecution of the '946 Application. Any possible weight that the Court could have given this explanation was significantly diminished when Mr. Sawyer subsequently admitted that at the time the Baji Reference was cited in the '423 Application, he had less than a handful on his docket belonging to Dr. Lewis. [Feb. 26 Tr. at 86:7-87:25]

173. In addition, Mr. Sawyer's conduct with respect to the '946 Application also claims to have departed from his stated "standard practice" in two other ways. First, Mr. Sawyer testified that his standard practice was to be "particularly careful" when evaluating prior art in one application if that prior art might be material to another

*Appendix B*

pending application. [Feb. 26 Tr. at 77:15-78:16; 81:2-6] Despite this standard practice of being “particularly careful,” Mr. Sawyer claims after the fact that he failed to consider whether the Baji Reference might be material to as-filed claim 18 of the ‘946 Application and issued claim 16 of the ‘946 Patent even though both as filed claim 18 of the ‘946 Application and as-filed claim 7 of the ‘423 Application included an IMM, an IMD, and an MCPS. [Feb. 26 Tr. at 82:4-8; 82:23-83:13] Second, and similar to the above, Mr. Sawyer claims that he failed to consider whether the Hoarty Reference might be material to as-filed claim 18 and issued claim 16 of the ‘946 Application even though both as-filed claim 18 of the ‘946 Application and as-filed claim 1 of the ‘001 Application included an IMM, an IMD, and MCPS. [Feb. 26 Tr. at 93:8-95:21]

174. As a final explanation for his conduct, Mr. Sawyer also stated that he did not think to disclose the Baji Reference or the Hoarty Reference because they were identified to him by the examiners in the ‘423 and ‘001 Applications and those applications did not “[come] close to claiming an entertainment system.” [D.I. 159, ¶¶ 16-17] But this is not true. First, as-filed claim 7 of the ‘423 Application and as-filed claim 1 of the ‘001 Application are directed toward interactive multimedia transmission. And, the specifications of the ‘423 Application and ‘001 Application disclose the transmission of multimedia information as including “a combination of graphics, video and music in an entertainment form such as Karaoke.” [DX 3 at 1:35-37; DX 9 1:47-49] Second, Mr. Sawyer testified that he understood that the systems of as-filed claim 7 of the ‘423 Application and as-filed claim 1 of the ‘001

*Appendix B*

Application could be used for transmitting multimedia in an entertainment form, such as karaoke. Third, Baji discloses a video on-demand system and Hoarty discloses an on-demand television system, both of which are types of entertainment systems.

175. Plaintiff also sought to support their good faith conduct by arguing at trial, for the first time, that Dr. Lewis and Mr. Sawyer disclosed at least some prior art to the USPTO by including background information in the introductory section of the specification of the '946 Application itself. [Feb. 25 Tr. at 76.] This new argument does not establish any good faith on behalf of either Dr. Lewis or Mr. Sawyer. Applications commonly include background information that are generic discussions of the background of the art, and that is the case with the '946 Application. The background section of the '946 Application does not purport to disclose prior art references that might affect patentability. Nor does the background section bear on Dr. Lewis's and Mr. Sawyer's conduct in the relevant time period between the filing of the '946 Application and the issuance of the '946 Patent—a period during which numerous pieces of material information were brought to the attention of Dr. Lewis and Mr. Sawyer.

176. In sum, Mr. Sawyer's conduct during prosecution of the '946 Application often significantly departed from his professed standard practice. In addition, Mr. Sawyer failed to offer any credible explanation for his departures from his standard practice including, at least, his subsequent failures to disclose Examiner Chan's



*Appendix B*

Rejection, Examiner Hong's Rejection, the Baji Reference, and the Hoarty Reference.

177. In conclusion, having carefully considered the circumstantial evidence and the demeanor and credibility of the trial testimony, this Court finds that Mr. Sawyer knew that Examiner Chan's Rejection, Examiner Hong's Rejection, the Baji Reference, and the Hoarty Reference were each material to the patentability of the '946 Application. Despite this knowledge, Mr. Sawyer failed to disclose the same to the USPTO, and he failed to offer a credible or even plausible explanation for his actions. Based on the totality of the evidence and having considered all plausible inferences, this Court determines that the single most reasonable inference is that Mr. Sawyer failed to disclose each of these four pieces of information with the specific intent to deceive the USPTO.

178. Plaintiff claimed that it has advanced only one explanation for the non-disclosures of the Baji Reference, the Hoarty Reference, the Chan Rejection, and the Hong Rejection. Plaintiff suggests that its other arguments, *e.g.*, concerning the evidence it offered about Dr. Lewis' and Mr. Sawyer's decisions to file separate applications and the different classifications the USPTO assigned to their various co-pending applications, simply corroborate the explanation that it did not occur to Dr. Lewis or Mr. Sawyer that disclosures were required. These arguments are not persuasive.

179. The purported corroboration cannot rehabilitate the discredited "bucket theory," however. The analysis of

*Appendix B*

whether claims in copending applications are “substantially similar” to one another despite being included in different applications necessarily only arises if the applicant and lawyer have chosen to file separate applications in the first place; the fact that Dr. Lewis and Mr. Sawyer made that choice here does not offset the compelling evidence that they appreciated the claims to be substantially similar. Similarly, the USPTO’s patent classification system is not a determinant of materiality and the fact that prior art has a different classification does not make it immaterial. Both Defendants’ and Plaintiff’s experts on patent office procedure appear to agree on this point. [D.I. 260, Declaration of Gerald Mossinghoff, ¶ 26; D.I. 258, ¶ 21.]

180. Finally, Dr. Lewis at trial testified that the ‘423 and ‘001 Applications disclosed very different software than the ‘946 Application. [Feb. 25 Tr. at 131:8-25] Upon examination, however, this new argument was shown to be unpersuasive. Dr. Lewis could not identify any disclosure of source code or other software in the specification for the ‘423 or ‘001 patents that differed from the disclosures in the ‘946 specification. [Feb. 26 Tr. at 24:1-21] Further, Examiner Chan’s rejection of as-filed claim 7 in the ‘423 Application because it failed to meet the “enabling” requirement of 35 U.S.C. § 112, second paragraph, shows that the ‘423 Application did not disclose sufficient information to enable either its IMM or MCPS, let alone to differentiate it from the ‘946 Application. [Feb. 26 Tr. at 26:6-14, 26:24-32:11]

181. As noted above, during the two days of live testimony at the inequitable conduct hearing, the Court

*Appendix B*

was able to assess the credibility of both Dr. Lewis and Mr. Sawyer as witnesses. This assessment was based on their demeanor while testifying, the content of their testimony, the contradictions and inconsistencies in their testimony, and other observations made during their testimony.

**D. Inequitable Conduct**

182. Having determined that Defendants established materiality and intent by clear and convincing evidence, the Court weighs the level of materiality and intent that has been proven against each other to determine whether inequitable conduct has occurred. *Bristol-Myers*, 326 F.3d at 1234. The Court finds that for each basis the “scales tilt to a conclusion that inequitable conduct occurred.” *Critikon*, 120 F.3d at 1256 (internal quotations omitted). Here, Dr. Lewis and Mr. Sawyer were both aware of Examiner Chan’s Rejection, Examiner Hong’s Rejection, the Bajji Reference, and the Hoarty Reference. Moreover, both men knew that each piece of information was material. Despite this knowledge, neither man offered any plausible or credible explanation for the failure to disclose this information.

183. Importantly, the record before the Court does not contain any evidence of good faith by either Dr. Lewis or Mr. Sawyer. Since the ‘946 Application was filed, neither Dr. Lewis nor Mr. Sawyer identified any occasion in which either of them disclosed any prior art or other material information to Examiner Witkowski in the ‘946 Application. And both Dr. Lewis and Mr. Sawyer attempted to make *post hoc* excuses for their failures to disclose the material information that was brought to their attention and those excuses were discredited at trial.

*Appendix B*

184. Because neither man offered any indication whatsoever of good faith, or really any effort to comport with their known duty of candor to the USPTO, and for the other reasons noted above, the Court finds the conduct of both Dr. Lewis and Mr. Sawyer to be sufficiently culpable to support a confident judgment that inequitable conduct occurred. Unenforceability of the '946 Patent is consequently the appropriate outcome here.

185. The Court is mindful that its determination and balancing must be based on each instance of non-disclosure in this case and that each instance must rise or fall by itself. The Court strictly adhered to this standard. However, in determining culpability and in assessing the credibility of Dr. Lewis's and Mr. Sawyer's explanations for their non-disclosures, the Court noted the complete record of nondisclosure demonstrated by Dr. Lewis and Mr. Sawyer throughout this prosecution. *See, e.g., Nilssen*, 504 F.3d at 1235.

186. The ultimate question of whether inequitable conduct occurred is equitable in nature. Here, as noted above the Court determines that Dr. Lewis's and Mr. Sawyer's failure to disclose the Bush Reference was sufficiently culpable to constitute inequitable conduct. So too were their non-disclosures of Examiner Chan's Rejection, Examiner Hong's Rejection, the Baji Reference, and the Hoarty Reference. When all five non-disclosures are considered together, this conclusion and the sanction of unenforceability of the '946 Patent are even more compelling.

*Appendix B*

**CONCLUSION**

Accordingly, the Court ORDERS that Defendants' affirmative defenses of inequitable conduct are sustained; the Counterclaims seeking a declaration that inequitable conduct occurred in the prosecution of United States Patent No. 5,464,946 is granted; United States Patent No. 5,464,946 is held to be unenforceable, and the First Amended Complaint is dismissed with prejudice.

Dated: April 23, 2010

/s/ \_\_\_\_\_

Hon. James C. Mahan  
United States District Court Judge

**APPENDIX C — ORDER DENYING PETITION  
FOR REHEARING AND REHEARING EN BANC  
OF THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT,  
FILED DECEMBER 3, 2012**

UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

2010-1435

1<sup>ST</sup> MEDIA, LLC,

*Plaintiff-Appellant,*

v.

ELECTRONIC ARTS, INC., HARMONIX MUSIC  
SYSTEMS, INC., and VIACOM, INC.,

*Defendants-Appellees,*

and

SONY COMPUTER ENTERTAINMENT AMERICA,  
INC. (now known as Sony Computer Entertainment  
America LLC),

*Defendant-Appellee.*

Appeal from the United States District Court for the  
District of Nevada in case no. 07-CV-1589, Judge James  
C. Mahan.

*Appendix C*

**ORDER**

A petition for rehearing en banc having been filed by the Appellees, and a response thereto having been invited by the court and filed by the Appellant, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on December 10, 2012.

FOR THE COURT

/s/  
\_\_\_\_\_  
Jan Horbaly  
Clerk

Dated: 12/03/2012

cc: Robert P. Greenspoon  
Josh A. Krevitt, Eric A. Buresh

1ST MEDIA V ELECTRONIC ARTS, 2010-1435  
(DCT - 07-CV-1589)

**APPENDIX D — RELEVANT  
STATUTORY & MANUAL OF PATENT  
EXAMINING PROCEDURE PROVISIONS**

**35 USCS § 282**

§ 282. Presumption of validity; defenses

(a) In general. A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

(b) Defenses. The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II [35 USCS §§ 100 et seq.] as a condition for patentability.

(3) Invalidity of the patent or any claim in suit for failure to comply with--

(A) any requirement of section 112 [35 USCS § 112], except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or



*Appendix D*

(B) any requirement of section 251 [35 USCS § 121].

(4) Any other fact or act made a defense by this title.

(c) Notice of actions; actions during extension of patent term. In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires. Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 [35 USCS § 154(b) or 156] because of the material failure--

(1) by the applicant for the extension, or

(2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) [35 USCS § 156(d)(2)] is not subject to review in such an action.

*Appendix D***37 CFR 1.56**

§ 1.56. Duty to disclose information material to patentability.

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through

*Appendix D*

bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

(1) prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) the closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office.

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

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

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

(i) Opposing an argument of unpatentability relied on by the Office, or

(ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence,

*Appendix D*

burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, the applicant, an assignee, or anyone to whom there is an obligation to assign the application.

(d) Individuals other than the attorney, agent or inventor may comply with this section by disclosing information to the attorney, agent, or inventor.

(e) In any continuation-in-part application, the duty under this section includes the duty to disclose to the Office all information known to the person to be material to patentability, as defined in paragraph (b) of this section, which became available between the filing date of the prior application and the national or PCT international filing date of the continuation-in-part application.

*Appendix D***MANUAL OF PATENT EXAMINING PROCEDURE****MPEP Fifth Edition, Revision 14,  
Effective November 1992****2001.06(a) PRIOR ART CITED IN RELATED  
FOREIGN APPLICATIONS [R-14]**

Applicants and other individuals, as set forth in 37 CFR 1.56, have a duty to bring to the attention of the Office any material prior art or other information cited or brought to their attention in any related foreign application. The Inference that such prior art or other information is material is especially strong where it is the only prior art cited or where it has been used in rejecting the same or similar claims in the foreign application. *See Gemveto Jewelry Company, Inc. v. Lambert Bros., Inc.*, 216 USPQ 976 (S.D. N.Y. 1982) wherein a patent was held invalid or unenforceable because patentee's foreign counsel did not disclose to patentee's United States counsel or to the Office prior art cited by the Dutch Patent Office in connection with the patentee's corresponding Dutch application. The Court stated \* 216 USPQ >at<985,

“Foreign patent attorneys representing applicants for U.S. patents through local correspondent firms surely must be held to the same standards of conduct which apply to their American counterparts; a double standard of accountability would allow foreign attorneys and their clients to escape responsibility for fraud or inequitable conduct merely by

*Appendix D*

withholding from the local correspondent information unfavorable to patentability and claiming ignorance of United States disclosure requirements.”

**2001.06(b) INFORMATION RELATING TO OR  
FROM COPENDING UNITED STATES PATENT  
APPLICATIONS [R-14]**

The individuals covered by 37 CFR 1.56\* have a duty to bring to the attention of the examiner, or other Office official involved with the examination of a particular application, information within their knowledge as to other copending United States applications which are “material to \*\*>patentability<” of the application in question. As set forth by the court in *Armour & Co. v. Swift & Co.*, 175 USPQ 70, 79 (7<sup>th</sup> Cir. 1972),

“we think that it is unfair to the busy examiner, no matter how diligent and well informed he may be, to assume that he retains details of every pending file in his mind when he is reviewing a particular application...[T]he applicant has the burden of presenting the examiner with a complete and accurate record to support the allowance of letters patent.”

*See, also* >MPEP< § 2004 at No. \*>9<.

Accordingly, the individuals covered by \*>37 CFR< 1.56\* cannot assume that the examiner of a particular application is necessarily aware of other applications

*Appendix D*

“material to **\*\*>patentability<**” of the application in question, but must instead bring such other applications to the attention of the examiner. For example, if a particular inventor has different applications pending in which similar subject matter but patentably indistinct claims are present that fact must be disclosed to the examiner of each of the involved applications. Similarly, the prior art references from one application must be made of record in another subsequent application if such prior art references are “material to **\*\*>patentability<**” of the subsequent application.

Normally if the application under examination is identified as a continuation or continuation-in-part of an earlier application the examiner will consider the prior art cited in the earlier application. The examiner must indicate in the first Office action whether the prior art in a related earlier application has been reviewed. Accordingly, no separate citation of the same prior art need be made in the later application.

**APPENDIX E— JUDGMENT, UNITED STATES  
DISTRICT COURT, DISTRICT OF NEVADA,  
FILED APRIL 26, 2010**

UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA

Case No. 2:07-cv-1589-JCM-RJJ

1ST MEDIA, LLC,

*Plaintiff,*

*vs.*

ELECTRONIC ARTS, INC., HARMONIX MUSIC  
SYSTEMS, INC., VIACOM, INC., and SONY  
COMPUTER ENTERTAINMENT AMERICA INC.,

*Defendants.*

---

ELECTRONIC ARTS, INC., HARMONIX  
MUSIC SYSTEMS, INC., and SONY COMPUTER  
ENTERTAINMENT AMERICA INC.,

*Counterclaimants,*

*vs.*

1st MEDIA, LLC,

*Counterdefendant.*

**JUDGMENT**



*Appendix E*

For the reasons set forth in the Court's Findings of Fact and Conclusions of Law Following Trial on Inequitable Conduct [Docket No. 273], judgment is hereby entered under Rule 58 in favor of Defendants Electronic Arts, Inc., Harmonix Music Systems, Inc., Viacom Inc. and Sony Computer Entertainment America Inc. (collectively, "Defendants") as follows:

1. All claims against Defendants in Plaintiff's First Amended Complaint [Docket No. 62] are dismissed with prejudice.

2. The first and second counterclaims in the Second Amended Answer and Counterclaims of each of defendants Electronics Arts, Inc. [Docket No. 153], Harmonix Music Systems, Inc. [Docket No. 154], and Sony Computer Entertainment America Inc. [Docket No. 169] are dismissed without prejudice<sup>6</sup>

3. The third counterclaim in the Second Amended Answer and Counterclaims of each of defendants Electronic Arts, Inc. [Docket No. 153], Harmonix Music Systems, Inc. [Docket No. 154], and Sony Computer Entertainment America Inc. [Docket No. 169] is granted.

4. Specifically, the Court finds, declares and adjudges that U.S. Patent No. 5,464,946 is unenforceable due to inequitable conduct.

Dated: April 23, 2010

/s/\_\_\_\_\_

Hon. James C. Mahan  
United States District Court Judge