

United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	John W. Darrah	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	01 C 3585	DATE	6/28/2006
CASE TITLE	Nilssen vs. Osram		

DOCKET ENTRY TEXT

For the reasons stated in the attached memorandum opinion and order, defendants have demonstrated, by clear and convincing evidence, that Nilssen engaged in inequitable conduct and that such conduct renders the remaining eleven patents at issue unenforceable. Judgment is entered in favor of defendants and against plaintiffs. Enter Memorandum Opinion and Order.

■ [For further detail see separate order(s).]

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United States District Court
Northern District of Illinois
Eastern Division

Nilssen

JUDGMENT IN A CIVIL CASE

v.

Case Number: 01 C 3585

Osram Sylvania, et. al.

- Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury rendered its verdict.
- Decision by Court. This action came to hearing before the Court. The issues have been heard and a decision has been rendered.

IT IS HEREBY ORDERED AND ADJUDGED that for the reasons stated in the ~~attached~~ Court's 6/28/06 memorandum opinion and order, defendants have demonstrated, by clear and convincing evidence, that Nilssen engaged in inequitable conduct and that such conduct renders the remaining eleven patents at issue unenforceable. Judgment is entered in favor of defendants and against plaintiffs.

Michael W. Dobbins, Clerk of Court

Date: 6/28/2006

/s/ Melanie A. Foster, Deputy Clerk

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

OLE K. NILSSEN and GEO FOUNDATION, LTD.,)
)
 Plaintiffs,)
)
 v.)
)
 OSRAM SYLVANIA, INC. and)
 OSRAM SYLVANIA PRODUCTS, INC.,)
)
 Defendants.)

No. 01 C 3585

Judge John W. Darrah

OPINION AND ORDER

Plaintiffs, Ole K. Nilssen and the GEO Foundation, Ltd., bring this action against Defendants, Osram Sylvania, Inc. and Osram Sylvania Products, Inc., for the alleged infringement of several patents. Plaintiffs originally alleged that Defendants infringed twenty-six patents. Subsequently, Plaintiffs withdrew infringement allegations for fifteen of the twenty-six patents. The eleven remaining patents in suit are United States Patent Nos. 4,857,806 (the “806 Patent”); 5,164,637 (the “637 Patent”); 5,233,270 (the “270 Patent”); 5,343,123 (the “123 Patent”); 5,402,043 (the “043 Patent”); 5,416,386 (the “386 Patent”); 5,432,409 (the “409 Patent”); 5,479,074 (the “074 Patent”); 5,481,160 (the “160 Patent”); 5,510,680 (the “680 Patent”); and 5,510,681 (the “681 Patent”).

Defendants answered, denying infringement, and filed a counterclaim for declaratory judgment, alleging that the patents have not been infringed by Defendants and that the patents in suit are invalid because Nilssen engaged in five types of inequitable conduct: (1) submitted misleading affidavits to the Patent and Trademark Office (“PTO”); (2) improperly claimed and paid fees as a small entity; (3) improperly claimed priority dates in several patent applications; (4) failed to

disclose litigation against Motorola, Inc. during the prosecution of patents in suit that involved the same subject matter as the patents at issue in the Motorola litigation; (5) failed to disclose material prior art references to the PTO during the prosecution of several patent applications; and (6) based on Plaintiffs' inequitable conduct, Plaintiffs' infringement action is barred by the doctrine of unclean hands.

Trial of the inequitable conduct issues was by the Court without a jury.¹ During the six-day trial, the parties presented over four hundred exhibits and testimony of seven witnesses, including four expert witnesses. The parties also submitted extensive post-trial written arguments and proposed findings of facts and conclusions of law.

Pursuant to Federal Rule of Civil Procedure 52, the Court enters the following written Findings of Fact and Conclusions of Law, which are based upon consideration of all the admissible evidence and this Court's own assessment of the credibility of the trial witnesses. To the extent, if any, that Findings of Fact, as stated, may be considered Conclusions of Law, they shall be deemed Conclusions of Law. Similarly, to the extent, if any, that Conclusions of Law, as stated, may be considered Findings of Fact, they shall be deemed Findings of Fact. The several claims of inequitable conduct present common questions of law and fact. However, some raise distinct legal and factual issues. Therefore, the Decision section of this Opinion and Order, for purposes of clarity, contains some reference to law and facts. To the extent, if any, that any part of the Decision may be considered Findings of Fact or Conclusions of Law, they shall be so deemed.

¹There is no right to a jury trial as to inequitable conduct. *See Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1190 (Fed. Cir. 1993).

FINDINGS OF FACT

Nilssen's Background

Nilssen, who reside in Illinois, is a citizen of Norway. Nilssen earned a bachelors degree in electronic engineering from the University of Wisconsin in 1952 and earned a masters degree in electrical engineering from the University of Wisconsin in 1953. Nilssen was employed by Fyrnetics, Inc., at which time he met Dale Fiene. Nilssen has at least 241 U.S. Patents issued in his name. These patents relate, in large part, to electronic lighting products, such as electronic ballasts, track lighting, and compact fluorescent screw-in lamps. Nilssen holds himself out as an expert in the field of electronic ballasts.

Nilssen originally hired registered patent attorneys to draft and prosecute his patent applications. In 1983, Nilssen assumed the prosecution of his pending patent applications and began drafting and prosecuting his patent applications, *pro se*. Nilssen considers himself an expert in the prosecution of patents and prosecuting his patent applications, *pro se*, because he believes that he understands the subject matter "far better than any attorney." Nilssen estimates that as a *pro se* applicant, he has prosecuted over 1,000 patent applications. Nilssen also prosecuted, *pro se*, appeals before the Board of Patent Appeals and the Federal Circuit. As a *pro se* applicant and appellee, Nilssen regularly cites to the Manual of Patent Examining Procedure ("MPEP"), case law, and patent statutes and regulations. Nilssen prosecuted the applications for the twenty-six patents (now eleven) involved in the present lawsuit, *pro se*. Nilssen is listed on these patents as the sole inventor. With each patent application, Nilssen signed a declaration attesting, under oath, that he understood the duty to disclose material information and that he had complied with this duty. Nilssen is knowledgeable regarding patent law and patent examining procedure.

(1) Affidavits Submitted to the PTO

Dale Fiene began working for Nilssen as a technical expert in the late 1980's. Fiene had met Nilssen while they both were employed by Fyrnetics. Fiene and Nilssen share an office in Barrington, Illinois. Fiene owns his own company, International Product Development, or IPD. Since its inception in 1989, Fiene has been the sole officer, shareholder, and employee of IPD. In 1989, Nilssen entered an agreement with Fiene and an agreement with IPD. The agreement with IPD provides that Nilssen would pay IPD \$20,000 per quarter for various technical assistance. The agreement between Nilssen and Fiene is a contingency contract in which Nilssen agreed to pay Fiene a percentage of all the licensing revenue and litigation settlements related to Nilssen's patents up to a maximum of \$500,000 (adjusted for inflation from 1989). From 1989 through 2001, Nilssen paid Fiene over \$1.5 million. Nilssen continues to pay IPD \$20,000 per quarter (adjusted for inflation from 1989). In addition, pursuant to a 2001 contract, Fiene receives 20 percent of all royalties Nilssen receives from the Geo Foundation.

The '345 Patent

In June 1987, U.S. Patent No. 4,677,345 (the "'345 Patent'") was issued to Nilssen.² Subsequently, Motorola requested that the PTO re-examine the '345 Patent. Motorola's request was granted in February 1990. In November 1990, the PTO issued an office action rejecting thirty of the forty-one claims in the '345 Patent. In January 1991, Nilssen submitted his own affidavit and an affidavit of Fiene in support of arguments for patentability in an effort to overcome the rejections by the PTO examiner. Nilssen typed Fiene's affidavit. Fiene's affidavit did not disclose that Fiene

²The '345 Patent is no longer a patent in suit but is relevant because of claimed infectious enforceability, as discussed later.

had a financial interest in Nilssen's electronic ballast patents, including the '345 Patent under re-examination, or that he had a professional relationship with Nilssen, dating back to 1978. Fiene's affidavit did include his history of working at Fyrnetics. Nilssen relied upon Fiene's affidavit in his January 1991 response to the PTO to distinguish two other patents – U.S. Patent Nos. 3,263,122 (Genuit) and 4,100,476 (Ghiringhelli) – from the '345 Patent.³ At this time, Nilssen advised the PTO examiner: "To help analyze and evaluate the issues under dispute . . . the Patent Owner solicited the assistance of two experts in the area directly pertinent to the ['345] patent under reexamination as to the cited patents." In another submission to the PTO, Nilssen stated: "In any rational administrative procedure, an expert's (i.e., Mr. Fiene's) interpretation of facts must prevail over the interpretation of facts by a non-expert (i.e., Examiner)."

Nilssen's affidavit did not disclose that Fiene had a financial interest in Nilssen's electronic ballasts, including the '345 Patent under reexamination. Nilssen's affidavit did not include references to Nilssen's prior work with Fyrnetics. Affidavits Nilssen previously filed in 1988 and 1989 had included specific disclosure of Nilssen's relationship with Fyrnetics. Although Nilssen had met Fiene while Fiene was employed at Fyrnetics, Fiene's affidavit did not disclose this information.

The '690 Patent

In October 1990, Nilssen filed an application for the '690 Patent. On March 27, 1991, the PTO issued an office action rejecting all eighteen of Nilssen's original claims in the application that

³The "Description of Prior Art" in the "Background of the Invention" of the '270 and '681 Patents state: "For a description of pertinent prior art, reference is made to [the '345 Patent] to Nilssen . . ." Additional prior art referenced in the '681 and '270 Patents includes U.S. Patent Nos. 3,263,122 (Genuit) and 4,100,476 (Ghiringhelli).

issued as the '690 Patent. In April 1991, Nilssen filed a response to the PTO's rejection. Nilssen included an affidavit from Fiene, executed April 1, 1991, in support of arguments for patentability. Fiene's April 1991 affidavit did not disclose to the PTO that Fiene had a financial interest in Nilssen's electronic ballast patents, including the '690 Patent. Fiene's affidavit also failed to disclose that Fiene had a professional relationship with Nilssen, dating back to 1978. Nilssen typed Fiene's April 1991 affidavit.

(2) Small Entity Fee Claims and Payments

A patentee is required to pay an initial fee and subsequent maintenance fees for the term of the patent to prevent expiration of the patent. The PTO allows "small entities" – defined in C.F.R. 1.9(f) as independent inventors, small business concerns, and nonprofit organizations – to pay reduced fees than that of a "large entity."

Nilssen made specific **large entity maintenance fee payments** for certain patents, as follows:

Year	Patent(s)	Fee Paid
1996	'637	Four-year maintenance
1998	'043, '386	Four-year maintenance
1999	'409, '074, '680, '681	Four-year maintenance
2000	'637	Eight-year maintenance

Nilssen made specific **small entity claims and maintenance fee payments** for certain patents, as follows:

Patent	Month/Year	Small Entity Status	Small Entity Fee Paid
'806	February 1997 January 2001	Claimed	Eight-year maintenance Twelve-year maintenance
'270	January 1997 January 2001 January 2005	Claimed Claimed Claimed	Four-year maintenance Eight-year maintenance Twelve-year maintenance
'690	March 1999 June 1999 March 2003	Claimed	Eight-year maintenance Twelve-year maintenance
'160	June 1999 June 2003	Claimed Claimed	Four-year maintenance Eight-year maintenance
'210	August 1999 June 2003	Claimed Claimed	Issue fee Four-year maintenance
'356	November 2000 November 2004	Claimed Claimed	Eight-year maintenance Twelve-year maintenance
'891	September 2001	Claimed	Four-year maintenance
'067	February 2002 March 2002	Claimed	Eight-year maintenance
'123	March 2002	Claimed	Eight-year maintenance
'043	September 2002 October 2002	Claimed	Eight-year maintenance
'386	October 2002 November 2002	Claimed	Eight-year maintenance
'409	December 2002 January 2003	Claimed	Eight-year maintenance
'074	February 2003 June 2003	Claimed	Eight-year maintenance
'680	February 2003 October 2003	Claimed	Eight-year maintenance

Patent	Month/Year	Small Entity Status	Small Entity Fee Paid
'681	February 2003 October 2003	Claimed	Eight-year maintenance
'118	February 2003	Claimed	Eight-year maintenance
'347	February 2003	Claimed	Eight-year maintenance
'637	May 2004	Claimed	Twelve-year maintenance
'342	August 2004	Claimed	Twelve-year maintenance

The Geo Foundation

In 1998 Nilssen established the Geo Foundation, Inc., in the Cayman Islands. The Geo Foundation holds Nilssen's patents under an exclusive license. The Geo Foundation does not conduct any business other than licensing and litigating Nilssen's patents. All of Nilssen's licensing revenues and lawsuit settlements are paid directly to the Geo Foundation. The Geo Foundation pays Nilssen 25 percent of its gross income. The Geo Foundation also pays all of the litigation costs associated with the patent lawsuits. All of the Geo Foundation's funds are held in a bank in Connecticut. The Geo Foundation has only one active director, Lars Evensen. Evensen lives in Norway and is Nilssen's nephew. Neither Nilssen nor Evensen has ever been to the Cayman Islands.

The Geo Foundation was established as a not-for-profit charitable organization. From its establishment in 1998 up until December 20, 2005, the Geo Foundation had not made a single charitable contribution. The Geo Foundation has never filed a tax return or paid any income tax.

The stated goals of the Geo Foundation, as set by Nilssen, include the "development and establishment of a totally inflation-proof, fully-backed international currency system"; sovereign jurisdiction to assure that individuals' and corporations' "productive output [cannot be] forcibly taken by some governmental body"; and maintenance of class action lawsuits against the

United States “seeking abolishment of the involuntary servitude to which a Small Class of high productivity U.S. Citizens (e.g., the upper 5% of all income tax payers) is presently subjected by virtue of the fact that a large part of the income of this Small Class is forcibly taken . . . and given to another very Large Class of U.S. Citizens (e.g., the lower 50% of all income tax payers . . .).”

The Geo Foundation’s 1999 Overview disclosed that its goal was to preserve the wealth of the wealthy. In addition, the Geo Foundation follows the “Rose Law” – “a fact cannot be changed by giving it another name.” The Geo Foundation interprets national laws and government actions under the Rose Law – “not recognizing as legitimate a government’s natural tendency to legalize actions and practices . . . which are clearly illegal under more basic laws . . . for instance . . .” taxes are illegal under the Takings Clause of the U.S. Constitution.

Patent Licenses

Nilssen entered into an agreement, the Compact Fluorescent Lamp Agreement (“CFL Agreement”), with Philips Electronics North America Corp., effective December 7, 1995. The CFL Agreement provides, in part: “Nilssen expects to offer CFL manufacturers a preferred running royalty rate under his CFL patents for a limited period starting the first quarter of 1996. Nilssen and Philips agree that Nilssen will offer and Philips will take a standard license from Nilssen under his CFL patents” The CFL Agreement obligated Nilssen to license at least the following patents to Philips: the ‘806, ‘637, ‘356, ‘270, ‘067, ‘123, ‘347, ‘680, ‘681, and ‘201 Patents. Because Nilssen had an obligation to license to Philips, all of the patents subject to the CFL Agreement were not entitled to a small entity status and required payment of large entity fees.

Nilssen entered into a Patent License Agreement with Philips in January 1996. Philips employed more than 500 persons from December 7, 1995 to present. The Patent License Agreement

obligated Nilssen to license at least the following patents to Philips: the '806, '690, '637, '342, '356, '067, '043, '386, '409, '347, '118, '074, '160, '680, '681, '819, and '210 Patents. Because of the Patent License Agreement with Philips as to these patents, Nilssen was not entitled to claim small entity status or pay small entity fees as to these patents.

(3) Claimed Priority Dates

A patent applicant may claim priority back from a later application to an earlier patent in order to obtain the benefit of the filing date of the earlier application. There are four requirements to claiming an earlier priority date: (1) the earlier description must have a written description of the invention and must have an enablement of the invention within it; (2) at least one of the inventors in each of the applications must be in common; (3) there must be co-pendency; and (4) there must be a cross reference of the applications, including their status as continuing, divisional or a continuation-in-part in the specification that is seeking the benefit.⁴

The '409, '160, '386, '043, '118, and '819 Patents are “children” of the '342 Patent. The '342 Patent was filed on February 25, 1992, and was issued on February 23, 1993. The '342 Patent claims to be a continuation of U.S. Patent Application No. 07/646,497, which it claims is a continuation of U.S. Patent Application No. 07/107,795, which it claims is a continuation-in-part of U.S. Patent Application No. 06/658,423, filed October 5, 1984. The '342 Patent and its parent applications do not claim priority to or cross reference any patents or patent applications earlier than Nilssen's U.S. Patent Application No. 06/658,423, filed October 5, 1984. However, in the '409, '160, '386 and '043 Patents, Nilssen claims priority to U.S. Patent No. 4,184,128 ('128 Patent”) to

⁴More detailed discussions of priority dates and of these related terms are included in the Conclusions of Law and Decision sections of this Opinion and Order.

obtain an effective filing date of March 20, 1978. For the '409, '160, '386, and '043 Patents to have this effective filing date of March 20, 1978, the parent applications of the '409, '160, '386, and '043 Patents would have to specifically reference the '128 Patent and have been copending.

Nilssen's claim of priority to the effective filing date of March 20, 1978, in the '409, '160, '386, and '043 Patents was incorrect because the respective parent applications filed between 1984 and 1992 do not claim priority to or cross reference any patents or patent applications earlier than Nilssen's U.S. Patent Application No. 06/658,423, filed October 5, 1984. Nilssen's claim of priority to the effective filing date of March 20, 1978, in these patents is also incorrect because these patents rely on the incorrect assertion by Nilssen that U.S. Patent Application No. 06/658,423 is a continuation-in-part of U.S. Patent Application No. 06/555,426. U.S. Patent Application No. 06/555,426 was previously abandoned when the PTO granted Nilssen's requested file wrapper continuation on August 27, 1984. Accordingly, U.S. Patent Application No. 06/658,423, filed October 5, 1984, cannot be a continuation-in-part of U.S. Patent Application No. 06/555,426, abandoned August 27, 1984, because the two applications were not copending at any point in time.

Lawrence J. Goffney, Jr., Defendants' expert on patent issues, was: from 1996 through 1998, Acting Deputy Assistant Secretary of Commerce and United States Patent and Trademark Office Deputy Commissioner of Patents and Trademarks; from 1994 through 1998, was Assistant Commissioner for Patents; and from 1984 through 1986, a patent examiner in the PTO. Nilssen's improper claim of priority to the effective date of March 20, 1978 was material to applications issuing as the '409, '160, '386, and '043 Patents because it allowed Nilssen to potentially avoid prior art and obtain patent claims to which he would not otherwise be entitled. This is based, in part, on Goffney's testimony, which was highly credible and unimpeached.

The '637, '680, and '681 Patents are "children" of U.S. Patent Application No. 06/787,692. U.S. Patent Application No. 06/787,692 was filed October 15, 1985, and abandoned September 30, 1991. U.S. Patent Application No. 06/787,692 claimed to be a continuation of U.S. Patent Application No. 06/644,155, which it claimed was a continuation of U.S. Patent Application No. 06/555,426, which it claimed was a continuation of U.S. Patent Application No. 06/178,107, filed August 14, 1980. The U.S. Patent Application No. 06/787,692 and its parent applications do not claim priority to or cross reference any patents or patent applications earlier than Nilssen's U.S. Patent Application No. 06/178,107, filed August 14, 1980. In the '637, '680, and '681 Patents, however, Nilssen claims priority to the '128 Patent to obtain an effective date of March 20, 1978.

The parent applications of the '637, '680, and '681 Patents would have to include a specific reference to the '128 Patent to permit the '637, '680, and '681 Patents to claim the '128 Patent priority date of March 20, 1978. Nilssen's claim of priority to the effective filing date of March 20, 1978, in the '637, '680, and '681 Patents is, therefore, incorrect because the respective patent applications filed between 1980 and 1990 do not claim priority to or cross reference any patents or patent applications earlier than Nilssen's U.S. Patent Application No. 06/178,107, filed August 14, 1980. Goffney testified that, in his opinion, Nilssen's incorrect claim of priority to the effective date of March 20, 1978 was material to the prosecution of the applications issuing as the '637, '680, and '681 Patents, at least at the time he filed the applications, because it would allow Nilssen to potentially avoid prior art and obtain patent claims to which he would not otherwise be entitled. Again, this testimony was highly credible and unimpeached.

(4) Nondisclosure of Motorola Litigation

On October 19, 1993, Nilssen filed a lawsuit against Motorola in the United States District Court for the Northern District of Illinois. Nilssen alleged that Motorola infringed U.S. Patent Nos. 5,191,262; 5,214,356; 5,013,974; 5,164,637; 5,047,690; and 5,185,560. Motorola denied the claims, alleging that the patents were invalid because they failed to meet the conditions of patentability and failed to comply with the requirements of 35 U.S.C. §§ 102 (novelty requirement and loss of right), 103 (obviousness), and 112 (specification requirements). On July 23, 1996, the patent claims in the Motorola lawsuit were dismissed without prejudice. On September 3, 1996, Nilssen refiled a lawsuit against Motorola, alleging infringement of the same six patents and adding infringement allegations for nine additional U.S. Patents, Nos. 4,819,146; 4,857,806; 5,189,342; 5,214,356; 5,341,067; 5,402,043; 5,416,386; 5,432,409; and 4,677,345.

Eight of the patents at issue here were pending during the Motorola litigation, as follows: the '123 Patent, filed August 24, 1992, and issued August 30, 1994; the '043 Patent, filed September 23, 1993 and issued March 28, 1995; the '386 Patent, filed May 10, 1993, and issued May 16, 1995; the '409 Patent, filed February 2, 1994, and issued July 11, 1995; the '074 Patent, filed December 21, 1992, and issued December 26, 1995; the '160 Patent, filed October 28, 1994, and issued January 2, 1996; the '680 Patent, filed December 21, 1992, and issued January 2, 1996; and the '681 Patent, filed April 15, 1994, and issued April 23, 1996.

All of Nilssen's patents represent a common-end product – electronic ballasts. The '123, '074, and '681 Patents are direct descendants of patents asserted by Nilssen in his lawsuit against Motorola. The '123 Patent is a continuation-in-part of the '637 Patent asserted in the Motorola litigation. U.S. Patent 5,185,560 ('560 Patent") is a "great grandparent" of the '123 Patent. The

'560 Patent is also a "grandparent" of the '074 Patent, related through a continuation-in-part application and a divisional application. The '560 Patent is also a "grandparent" of the '681 Patent, related through a file wrapper continuation and a continuation-in-part application.

Nilssen did not disclose the pending Motorola litigation during the prosecution of the applications that issued as the '123, '043, '386, '409, '074, '160, '680, and '681 Patents in suit.⁵ The '123, '043, '386, '409, '074, '160, '680, and '681 Patents are directed towards the same subject matter as the patents asserted by Nilssen in the Motorola litigation, based in part, on the expert opinion of Goffney.

(5) Nondisclosure of Prior Art References

U.S. Patent No. 4,251,752 ("Stolz Patent"), filed May 7, 1979, and issued February 17, 1981, constitutes prior art to the '681 Patent, pursuant to 35 U.S.C. § 102, and was not cumulative of the prior art made of record during the prosecution of the application that issued as the '681 Patent. Nilssen had knowledge of the Stolz Patent, as demonstrated by citation to the Stolz Patent as prior art by Nilssen or patent examiners on at least twenty-five occasions in ten of Nilssen's other patent applications prior to the '681 Patent's being issued. Seven of the twenty-five references to the Stolz Patent as prior art occurred concurrently with the prosecution of the application that issued as the '681 Patent. The Stolz Patent was material to the patentability of claims in the application that issued as the '681 Patent because a reasonable examiner would have considered this reference important in presenting a *prima facie* case of anticipation for at least claims 6, 7, and 8 of the '681 Patent. The PTO had found a substantial new question of patentability and granted reexamination

⁵ Nor did Nilssen disclose the existence of the Motorola litigation then pending during the prosecution of the applications of the '067, '347, '118, '819, and '210 Patents, for which allegations of infringement have been withdrawn in this suit.

of the '681 Patent based, in part, on the Stolz Patent, further confirming its materiality. Nilssen failed to disclose the Stolz Patent during the application that issued as the '681 Patent.

Nilssen also failed to disclose the Stolz Patent during the prosecution of the application that issued as the '067 Patent and was not cumulative of the prior art made of record during the prosecution of the application that issued as the '067 Patent. Nilssen had knowledge of the Stolz Patent because it was cited as prior art by Nilssen or patent examiners on at least eighteen occasions in eight of Nilssen's other patent applications before the '067 Patent was issued. The Stolz Patent was material to the patentability of claims in the application that issued as the '067 Patent because claims 4, 21 and 32 of the '067 Patent have been found to be invalid over the Stolz Patent.

U.S. Patent No. 4,045,711 ("Pitel Patent"), filed on March 19, 1976, and issued on August 30, 1997, constitutes 35 U.S.C. § 102 prior art to the '043 Patent and was not cumulative of the prior art made of record during the prosecution of the application that issued as the '043 Patent. Nilssen had knowledge of the Pitel Patent because it was cited as prior art by Nilssen and patent examiners on at least thirty occasions in eight of Nilssen's other patent applications before the '043 Patent was issued. Three of the thirty references to the Pitel Patent as prior art occurred concurrently with the prosecution of the '043 Patent. The Pitel Patent was material to the patentability of claims in the application that issued as the '043 Patent because a reasonable examiner would have considered this reference important in presenting a *prima facie* case of anticipation for at least claim 18 of the '043 Patent. Nilssen failed to disclose the Pitel Patent during the application that issued as the '043 Patent.

U.S. Patent No. 4,461,980 (“Nilssen Patent”), filed on August 25, 1982, and issued on July 24, 1984, constitutes 35 U.S.C. § 102 prior art to the ‘043 Patent and was not cumulative of the prior art made of record during the prosecution of the application that issued as the ‘043 Patent. Nilssen, as the sole inventor and prosecutor of the Nilssen Patent, had knowledge of the patent. In addition, the Nilssen Patent was cited as prior art by Nilssen and patent examiners on at least sixteen occasions in eight of Nilssen’s other patent applications before the ‘043 Patent was issued. The Nilssen Patent was material to the patentability of claims in the application that issued as the ‘043 Patent because a reasonable examiner would have considered this reference important in presenting a *prima facie* case of anticipation for at least claim 18 of the ‘043 Patent. Nilssen failed to disclose the Nilssen Patent during the application that issued as the ‘043 Patent.

U.S. Patent No. 4,053,813 (“Kornrumpf Patent”), filed on March 1, 1976, and issued on October 11, 1997, constitutes 35 U.S.C. § 102 prior art to the ‘043 Patent. The Kornrumpf Patent was not cumulative of the prior art made of record during the prosecution of the application that issued as the ‘043 Patent. Nilssen had knowledge of the Kornrumpf Patent because it was cited as prior art by Nilssen and patent examiners on at least eight occasions in six of Nilssen’s other patent applications before the ‘043 Patent was issued. Two of the eight references to the Kornrumpf Patent as prior art occurred concurrently with the prosecution of the ‘043 Patent. The Kornrumpf Patent is material to the patentability of the claims in the application that issued as the ‘043 Patent because a reasonable examiner would have considered this reference important in presenting a *prima facie* case of anticipation for at least claim 18 of the ‘043 Patent. The PTO had found a substantial new question of patentability and granted reexamination of the ‘043 Patent based on the Kornrumpf Patent. On December 15, 2005, the PTO issued an Office Action during the reexamination of the

'043 Patent, rejecting claim 18 under 35 U.S.C. § 102(b) as anticipated by the Kornrumpf Patent. Nilssen failed to disclose the Kornrumpf Patent during the application that issued as the '043 Patent.

U.S. Patent No. 4,266,134 ("Franke Patent"), filed on December 13, 1978, and issued on May 5, 1981, constitutes 35 U.S.C. §§ 102 or 103 prior art to the '806 Patent and was not cumulative of the prior art made of record during the prosecution of the application that issued as the '806 Patent. Nilssen had knowledge of the Franke Patent because it was cited as prior art by Nilssen or patent examiners on at least three occasions in another of Nilssen's patent applications before the '806 Patent was issued. One of the three references to the Franke Patent as prior art occurred concurrently with the prosecution of the '806 Patent. The Franke Patent was material to the patentability of claims in the application that issued as the '806 Patent because a reasonable examiner would have considered this reference important in presenting a *prima facie* case of anticipation for at least claims 5 and 6 of the '806 Patent. Nilssen failed to disclose the Franke Patent during the application that issued as the '806 Patent.

U.S. Patent No. 4,392,087 ("Zansky Patent"), filed on November 26, 1980, and issued on July 5, 1983, constitutes 35 U.S.C. § 102 prior art to the '342 Patent and was not cumulative of the prior art made of record during the prosecution of the application that issued as the '342 Patent. Nilssen had knowledge of the Zansky Patent because it was cited as prior art by Nilssen and patent examiners on at least twelve occasions in ten of Nilssen's other patent applications before the '342 Patent was issued. Three of the twelve references to the Zansky Patent as prior art occurred concurrently with the prosecution of the '342 Patent. The Zansky Patent was material to the patentability of claims in the application that issued as the '342 Patent because a reasonable examiner would have considered this reference important in presenting a *prima facie* case of

anticipation for at least claims 3, 14 and 15 of the '342 Patent. The PTO had found a substantial new question of patentability and granted reexamination of the '342 Patent based, in part, on the Zansky Patent. Nilssen failed to disclose the Zansky Patent during the application that issued as the '342 Patent.

Nilssen kept a "special file" in his office of prior art that was frequently cited by PTO examiners. The special file included the Stolz, Pitel and Zansky Patent references.

(6) "Unclean Hands"

On numerous occasions, Nilssen inappropriately criticized patent examiners and the Board of Appeals. For example, in his petition to the Commissioner, Appeal No. 07/107,765, Nilssen stated that he "finds subject Examiner to be not only incompetent with respect to the particular subject matter of the various claimed inventions, but also seriously lacking in the basic mental facilities needed to properly perform his assigned role." In another petition to the Commissioner, Nilssen stated:

- a) Mr. Dixon cannot be characterized as being skilled in the arts to which subject applications pertain . . .
- b) Mr. Dixon is severely deficient in his understanding and use of reason and logic . . .
- c) Mr. Dixon has an inadequate command of the English language . . .
- d) Mr. Dixon has repeatedly shown himself to be overtly non-cooperative and non-caring.

On several occasions, the PTO returned submitted papers to Nilssen, without consideration, for Nilssen's failure to conduct business with the PTO with "Decorum and Courtesy" in violation of 37 C.F.R. 1.3.

The PTO had informed Nilssen that he had submitted defective oaths because the oath submitted failed to include the phrase “in accordance with 37 C.F.R. 1.56(a),” as required by 37 C.F.R. 1.63(b)(3). In 1988, while prosecuting the ‘795 Patent application, the patent examiner referred Nilssen’s application to the Office of the Assistant Commissioner of Patents (also known as the “fraud squad”) for “further consideration of the issues relating to the duty of disclosure.” In January 1989, the Office of the Assistant Commissioner of Patents informed Nilssen that the investigation regarding the duty of disclosure issue related to the ‘795 Patent application was terminated because the Office of the Assistant Commissioner of Patents was no longer examining patent applications for compliance with 37 C.F.R. § 1.56.

CONCLUSIONS OF LAW

The Court has federal jurisdiction pursuant to 28 U.S.C. § 1338(a), and venue is proper pursuant to 28 U.S.C. § 1391.

All patent applicants have an affirmative duty to prosecute patents in the PTO with candor and good faith. *See* 27 C.F.R. § 1.56(a). The duty of candor extends throughout the entire prosecution history of the patent. *See Fox Indus., Inc. v. Structural Preservation Sys., Inc.*, 922 F.2d 801, 803 (Fed. Cir. 1991) (*Fox*). Inequitable conduct occurs when a patentee breaches his or her duty to the PTO of “candor, good faith, and honesty.” *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995) (*Molins*). This conduct includes “affirmative misrepresentations of material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive.” *Molins*, 48 F.3d at 1178.

The inequitable conduct analysis consists of two steps: (1) a determination of whether the conduct meets a threshold level of materiality and intent to mislead and (2) a weighing of the materiality and intent in light of all of the circumstances to determine whether the applicant's conduct is so culpable to render the patent unenforceable. *See Purdue Pharma L.P. v. Boehringer Ingelheim GMBH*, 237 F.3d 1359, 1366 (Fed. Cir. 2001) (*Boehringer*). The predicate facts must be proven by clear and convincing evidence. *See Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1362 (Fed. Cir. 2003). A finding of inequitable conduct as to a single claim of a patent renders all claims of that patent unenforceable, even as to those claims not tainted by the inequitable conduct. *See Pharmacia Corp. v. Par Pharmaceutical, Inc.*, 417 F.3d 1369, 1374-75 (Fed. Cir. 2005).

Information is material under the “reasonable examiner” standard – if there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent – or under the narrower standard set forth in the amended Rule 56. *See Digital Control Inc. v. Charles Machine Works*, 437 F.3d 1309, 1314-16 (Fed. Cir. 2006) (*Digital Control*). Amended Rule 56 provides that information is “material” if:

- [I]t is not cumulative to information already of record or being made of record in the application, and
- (1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or
- (2) It refutes, or is inconsistent with, a position the applicant takes in:
 - (i) Opposing an argument of unpatentability relied upon by the Office, or
 - (ii) Asserting an argument of patentability.

37 C.F.R. § 1.56(b)(2004). “[T]o the extent that one standard requires a higher showing of materiality than another standard, the requisite finding of intent may be lower.” *Digital Control*, 437 F.3d at 1316.

The result of a PTO proceeding assessing patentability in light of information not previously disclosed can be of strong probative value in determining the materiality of the undisclosed information. *See Molins*, 48 F.3d at 1179. A PTO examiner need not rely on a misrepresentation in order for the misrepresentation to be material. *See Molins*, 48 F.3d at 1180.

Regarding the element of intent, direct evidence of intent to mislead or deceive is rare. Intent may be inferred from clear and convincing evidence of the surrounding circumstances. *See Purdue Pharma L.P. v. Endo Pharmaceuticals Inc.*, 438 F.3d 1123, 1133-34 (Fed. Cir. 2006) (*Purdue*). The surrounding circumstances include the “facts and circumstances surrounding the applicant’s conduct.” *Molins*, 48 F.3d at 1181. However, intent cannot be inferred solely from the fact that the material was not disclosed; instead, there must be some factual basis for finding intent to mislead or deceive. *See Purdue*, 438 F.3d at 1134.

When determining intent, the court must weigh all of the evidence, including evidence of good faith. *See Purdue*, 438 F.3d at 1134. If the materiality of the undisclosed information is relatively low, there is less basis to infer intent from materiality alone. On the other hand, if the undisclosed information is highly material, there can be an inference of the requisite intent to mislead or deceive. *See Purdue*, 438 F.3d at 1134.

“[A] breach of the duty of candor early in the prosecution may render unenforceable all claims which eventually issue from the same or a related application.” *Fox*, 922 F.2d at 804. A patent that issues from a continuation or divisional application may be held unenforceable where (1) the applicant engaged in inequitable conduct with respect to the prosecution of an earlier related application in the chain leading to the challenged patent and (2) the inequitable conduct relates to the asserted claims of that patent. *See Semiconductor Energy Lab. v. Samsung Electronics Co.*,

24 F. Supp. 2d 537, 543-44 (E.D. Va. 1998), *aff'd on other grounds* 204 F.3d 1368 (Fed. Cir. 2000) (*Semiconductor*); *eSpeed, Inc. v. Brokertec USA*, 417 F. Supp. 2d 580, 595 (D. Del. 2006) (*eSpeed*). However, the mere occurrence of inequitable conduct in connection with an application in a chain of applications is not sufficient to invalidate a patent issued as a result of a later application in that chain; instead, the earlier inequitable conduct in the chain must be related to the targeted claims of the ultimately issued patents sought to be enforced. *See Semiconductor*, 24 F. Supp. 2d at 543. Generally, mere similarity in subject matter, mere citation to the unenforceable patent, and sharing a parent application are insufficient to invalidate a patent issued from a chain of applications in which inequitable conduct has been found as to an application within that chain. *See Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1331-32 (Fed. Cir. 2004) (*Baxter*); *Hoffman-La Roche, Inc. v. Promega Corp.*, 319 F. Supp. 2d 1011, 1021-22 (N.D. Cal. 2004) (*Hoffman-La Roche*).

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

The doctrine of unclean hands can apply where a plaintiff engages in misconduct related to a patent at issue. *See Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 245-46 (1933) (*Keystone*); *Consolidated Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804, 812 (Fed. Cir. 1990)

