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IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

<p>INTERNATIONAL AUTOMATED SYSTEMS INC.;</p> <p style="text-align: center;">Plaintiff,</p> <p style="text-align: center;">vs.</p> <p>DIGITAL PERSONA, INC., IBM; IBM CORPORATION; IBM PERSONAL COMPUTING DIVISION; LENOVO (UNITED STATES) INC.; LENOVO GROUP LTD.; UPEK, INC. and JOHN DOES 1-20;</p> <p style="text-align: center;">Defendants.</p>	<p>UPEK’S MEMORANDUM IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT THAT THE PATENT-IN- SUIT IS UNENFORCEABLE DUE TO NELDON JOHNSON’S INEQUITABLE CONDUCT AND THAT THIS CASE IS EXCEPTIONAL UNDER 35 U.S.C. § 285</p> <p>Case No.: 2:06-CV-00072-DB Judge: Dee Benson</p> <p style="text-align: center;"><u>REDACTED</u></p> <p style="text-align: center;"><u>FULL BRIEF FILED UNDER SEAL</u></p>
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I. INTRODUCTION

The undisputed evidence shows that Neldon Johnson (“Johnson”), the inventor of the patent-in-suit, and CEO of Plaintiff International Automated Systems, Inc. (“IAS”), deliberately withheld highly material prior art from the United States Patent and Trademark Office (“PTO”) during the prosecution of U.S. Patent No. 5,598, 474 (“the ‘474 Patent”), the patent-in-suit. A copy of the ‘474 Patent can be found at Ex. 1 to the *Declaration of Jeffrey A. Miller Declaration* (“*Miller Decl.*”) filed in support of this motion.¹ Johnson’s deceitful conduct almost certainly misled the PTO into granting the ‘474 Patent. Thus, Johnson is guilty of inequitable conduct (e.g., fraud on the Patent Office), meaning that the ‘474 Patent should be declared unenforceable, this case declared exceptional under 35 U.S.C. § 285, and UPEK be awarded its attorneys’ fees and costs incurred in defending itself against IAS’s infringement claims. *Monsanto Co., v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1242 (Fed. Cir. 2008) (citing *Brassler, U.S.A. I. L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001)).

The ‘474 Patent is entitled “Process For Encrypting A Fingerprint Onto An ID Card.” Generally speaking, the ‘474 Patent describes a system that (1) transfers an image of a body part, e.g., a fingerprint, from a camera to a digitizer, (2) transfers the image from the digitizer to a computer, (3) determines the image quality, (4) enhances the image, (5) identifies the unique identifying characteristics (e.g., fingerprint minutia) read from the body part by type, (6) gives each characteristic a unique code comprised of type and relative location, (7) imprints the unique codes in storage, and (8) transmits the codes back to the computer where they can be used in a matching algorithm to verify the identity of a live fingerprint.² See *Miller Decl.*, Ex. 1 (the ‘474 Patent).

¹ This motion is also supported by the Declaration of Behnam Bavarian (“*Bavarian Decl.*”).

² The Court has already invalidated the claims of the ‘474 Patent under 35 U.S.C. § 112 because features (3) and (4) were not claimed even though they were described as essential to the invention.

The feature of the '474 Patent which the present motion implicates is the concept of assigning the "unique code" to the unique characteristics found on the fingerprint, where the "unique code" contains data relating to the "type" of unique characteristic and the relative location of that unique characteristic on the fingerprint. Prior to filing the patent application that would issue as the '474 Patent, Johnson knew about prior art that disclosed this "unique code" concept. However, contrary to the "duty of candor" imposed on every patent applicant under 37 C.F.R. §1.56,³ Johnson did not bring this prior art to the attention of the PTO during prosecution of the '474 Patent. Even worse, while Johnson was concealing this prior art from the PTO, he was arguing to the PTO that the "unique code" concept distinguished his alleged invention from prior art the PTO was using to reject his application. This is hornbook inequitable conduct.

The undisputed facts demonstrate that prior to filing the patent application that would eventually issue as the '474 Patent, IAS did a prior art search using a patent search firm known as Rapid Patent. The undisputed facts demonstrate that the results of this prior art search were communicated to IAS's attorney, J. David Nelson on January 11, 1995. *Miller Decl.*, Ex. 2 (January 11, 1995 Letter from Rhett Ransom of Rapid Patent to David J. Nelson). The undisputed facts also demonstrate that Johnson

Miller Decl., Ex. 3 (Johnson Tr. 180:15-182:11).

In its search results, Rapid Patent identified several references that it characterized as "most relevant". One of the prior art references Rapid Patent identified as "most relevant" was U.S. Patent No. 4,325,570 ("the '570 patent"). *Miller Decl.*, Ex. 4. The '570 Patent described the very feature Johnson used to distinguish his claims from a prior art reference the PTO had

³ Patent applicants have a duty of candor to the PTO during the prosecution of their patent applications. 37 C.F.R. § 1.56(a). *See also, Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995). Thus, when patent applicants perform prior art searches before their patent applications issue as patents, they are required to submit any material information learned from such searches to the PTO so the PTO can determine whether that information affects the patentability of the claims the applicant seeks. *Id.*

used to reject the parent application to the '474 Patent.⁴ This same feature is also what IAS's lawyer told Judge Jenkins was the "unique aspect" of the '474 Patent. *Miller Decl.*, Ex. 5. Thus, the '570 patent is highly material to the patentability of the claims of the '474 Patent.

Given the fact that the application which eventually issued as the '474 Patent was filed on March 10, 1995 and the fact that [REDACTED], Johnson indisputably had knowledge of this highly material prior art prior to filing his patent. Because [REDACTED], Johnson was required to submit the '570 patent to the PTO to satisfy the duty of candor required of all patent applicants. Instead, Johnson deliberately chose to withhold the '570 patent from the PTO.

The totality of evidence, as explained below, clearly and convincingly shows that Johnson intentionally withheld the highly material '570 patent from the PTO to mislead the PTO. Therefore, the '474 Patent was procured inequitably, which renders it unenforceable.

II. UNDISPUTED STATEMENT OF MATERIAL FACTS

A. The Prosecution History Of The '474 Patent

An analysis of the prosecution history of the '474 Patent is needed because it illustrates the materiality of Johnson's inequitable conduct.

1. The '474 Patent issued from United States Patent Application Serial No. 08/402,014 ("the 'Johnson '014 Application"), which was filed on March 10, 1995. *Miller Decl.*, Ex. 1 (the '474 Patent).

2. The 'Johnson '014 Application was a continuation-in-part ("CIP") application of United States Patent Application Serial No. 08/218,743 ("the Johnson '743 Application"), which

⁴ To "distinguish" a claim from prior art, patent applicants argue that a claim requires a feature not disclosed in the prior art. Thus, if a patent claims the combination "A+B+C" and the prior art discloses the combination "A+B", a patent applicant would "distinguish" his claim by arguing that "C" was not disclosed by the prior art.

was filed on March 29, 1994.⁵ *Miller Decl.*, Ex. 6 (copy of the Johnson ‘743 Application).

3. The Johnson ‘743 Application contained similar subject matter as that described in the CIP Johnson ‘014 Application. However, the Johnson ‘014 Application added subject matter relative to the ‘743 application (hence its status as a CIP). One feature that was added to the Johnson ‘014 Application was the concept of assigning the “unique code” to the unique characteristics found on the fingerprint, where the “unique code” contains information relating to the “type” of unique characteristic and the relative location of that unique characteristic. *Bavarian Decl.*, ¶17. This feature is not described in the Johnson ‘743 Application. *Bavarian Decl.*, ¶11-15. The “unique characteristics” of the fingerprint refer to fingerprint minutia.⁶ *Bavarian Decl.*, ¶12.

1. Johnson’s first patent application, *i.e.*, the ‘743 Application, was rejected by the PTO

4. On July 20, 1994, all the claims of the Johnson ‘743 Application were rejected by the PTO under 35 U.S.C. § 112 for being indefinite. *Miller Decl.*, Ex. 7 (Bates No. IAS000324-326). The claims were also rejected as being anticipated by prior art, including 35 U.S.C. § 102(b) by U.S. Patent No. 4,993,068 (“the ‘068 Patent”).⁷ *Miller Decl.*, Ex. 7 (Bates No. IAS 000328-329); *Miller Decl.*, Ex. 8 (copy of the ‘068 Patent).

5. In response, on October 10, 1994, Johnson filed an amendment canceling all the then pending claims and amending the application to include new claims. *Miller Decl.*, Ex. 9 (Bates Nos. IAS000333-341). The only independent claim after amendment was numbered as claim 11 and recited the following:

⁵ A CIP application is a patent application that adds new subject matter to an already existing patent application. 37 C.F.R. § 1.53(b)(2).

⁶ “Minutia are fingerprint ridge characteristics that can be identified, e.g., ridge endings and bifurcations.” *Bavarian Decl.*, ¶12.

⁷ A person shall be entitled to a patent unless ... the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States... 35 U.S.C. § 102(b).

11. A system for reading identifying characteristics from a body part, transmitting an image of such characteristics to a computer, and digitizing the image of the characteristics for encoding on an identification document, comprising in combination:
- an optical scanning device for reading the characteristics from a body part to produce an image of the body part characteristics;
 - means for transferring the image of the body part characteristics from the scanning device to a camera means;
 - a camera means for receiving the image of the body part characteristic from the scanning device;
 - **a digitizer for changing the image of the body part characteristics to a digital number;**
 - a computer for receiving the digital number from the digitizer for storage and processing; and
 - imprinting means for imprinting the digital number on the magnetic strip of an identification card. [emphasis added]

Miller Decl., Ex. 9 (Bates No. IAS000333-334).

6. Claim 11 of the Johnson ‘743 Application, seen above, recited a digitizer that changed the image received by the camera into a “digital number”. *Miller Decl.*, Ex. 9 (Bates No. IAS000333-334). Claim 11 does not recite limitations directed to any “unique code” containing data relating to the “type” and the relative location of unique characteristics.⁸ *Id.*

2. Johnson Did Not Fight The PTO’s Rejection Of The ‘743 Application; Rather, Johnson Chose To File The ‘014 Application With its “Unique Code” Disclosure Which He Characterized As Novel Over The Prior Art

7. On December 15, 1994, claim 11 (and several others) of the Johnson ‘743 Application was rejected by the PTO. *Miller Decl.*, Ex. 10 (Bates Nos. IAS000342-346).

8. In the December 15, 1994 rejection, the PTO found that claim 11 of the Johnson ‘743 Application was anticipated under 35 U.S.C. § 102(b) by the ‘068 Patent. *Miller Decl.*, Ex. 10 (Bates No. IAS 000344); *Miller Decl.*, Ex. 8 (copy of the ‘068 Patent). In so doing, the PTO asserted that the “digital number” recited in claim 11 was disclosed by the ‘068 Patent. *Miller Decl.*, Ex. 10 (Bates No. IAS 000344).

⁸ Given that such a feature was not disclosed in the Johnson ‘743 Application, this is not surprising.

9. Johnson chose not to respond to the December 15, 1994 rejection and the Johnson '743 Application was abandoned. *See Miller Decl.*, Ex. 11 (July 21, 1995 PTO Notice of abandonment of Application No. 08/218,743, Bates No. IAS000348).

10. In lieu of responding to the December 15, 1994 rejection, on March 10, 1995, the Johnson '014 Application was filed. The Johnson '014 Application added the disclosure of the "unique code" concept. *Miller Decl.*, Ex. 12 (copy of the Johnson '014 Application).

11. In addition to the "unique code" concept, the Johnson '014 Application added a discussion of the '068 Patent, which was the patent the PTO had used to reject claim 11 of the Johnson '743 Application. Specifically, the Johnson '014 Application stated:

U.S. Pat. No. 4,993,068 does not identify the use of a computer program to find the unique biological identifying parts and separating them from the other parts of the image. It uses the whole biological image to compare it with the live image. This is where the present invention defers. The present invention deals with first separating and or finding and identifying the unique patterns and identifying marks from the rest of the biological image. It finds only the unique parts of the biometrics image and then identifies them by giving them a unique identification number or code and then combines them into a unique identification code. **The unique identification code is composed of a location reference and a biologically unique identifiable mark.** [emphasis added]

Johnson '014 Application (Bates Nos. IAS 000376-377) (*Miller Decl.*, Ex. 12); '474 Patent, Column 3, Lines 27-39 (*Miller Decl.*, Ex. 1).

12. Thus, according to the Johnson '014 Application, the difference between what was described in the '068 Patent and Johnson's purported invention resided in the "unique code," which comprised the type of unique fingerprint characteristic and the location of that unique characteristic on the fingerprint. *Id.*

13. The claims of the Johnson '014 Application as filed expressly contained the “unique code” limitation. *Miller Decl.*, Ex. 12 (Bates Nos. IAS 000397) (claims from original application).

14. The claims that would eventually issue in the '474 Patent likewise contained limitation. '474 Patent, claims 1 and 2 (*Miller Decl.*, Ex. 1).

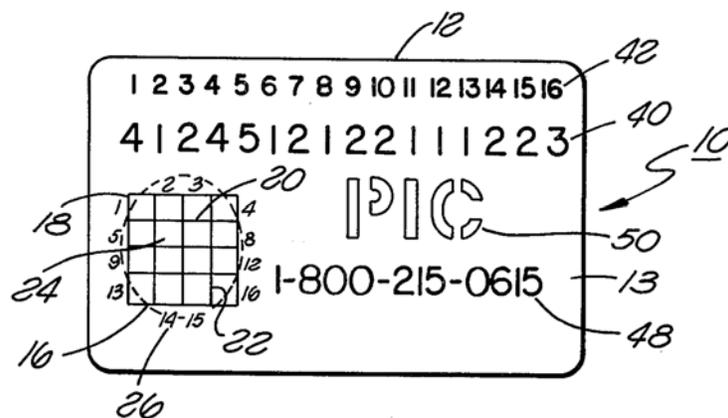
B. The '570 Patent That Johnson Withheld From The PTO Discloses Exactly What Johnson Added To The Johnson '014 Application To Overcome The Prior Art The PTO Knew About

15. Some time prior to filing the 'Johnson '014 Application, J. David Nelson, Esq., an attorney who represented both Johnson and IAS, commissioned a patentability search with an entity known as Rapid Patent. On January 11, 1995, two months before the filing of the Johnson '014 Application, Rhett Ransom from Rapid Patent wrote a letter to Mr. Nelson providing the results of that patentability search. *See Miller Decl.* Ex 2. (January 11 1995 letter from Ransom to Nelson).

16. Mr. Ransom's letter stated, “[t]he following references were noted as being most relevant.” One of the references identified as “most relevant” in the January 11 1995 letter from Ransom to Nelson was the '570 Patent. *See Miller Decl.* Ex 2; *see Miller Decl.*, Ex. 4 (copy of the '570 patent).

17. Johnson never submitted the '570 Patent to the PTO so that the PTO could determine whether Johnson's claims were patentable in view of the '570 Patent and any other prior art the PTO was aware of, including, for example, the '068 Patent. *See* first page of the '474 Patent (*Miller Decl.*, Ex. 1) (showing that the '570 Patent is not listed in the “References Cited” section).

18. The '570 Patent discloses a card containing a “unique code” comprised of the type of unique fingerprint characteristic and the relative location of that unique characteristic on the fingerprint. Reprinted immediately below is Figure 1 from the '570 Patent:



Running across the top of the card are two rows of numbers, which form “unique codes” exactly like the “unique codes” disclosed in the ‘474 Patent. The top row (labeled “42”) specifies the relative locations of specific minutia points of a fingerprint, while the second row (labeled “40”) constitutes a unique characteristic type identifiers. As the ’570 Patent explains:

A significant part of the present invention involves the generating of an identifier corresponding to the fingerprint 16 such that the identifier can be compared to the fingerprint to determine their correlation. The identifier is made up of a series of alpha, numeric, or alpha numeric designations or symbols, with each individual designation representing a selected fingerprint characteristic in respective squares of grid 18. Optimally, the identifier will be in the form of an identifying number (however, other symbols such as letters or letter-number combinations could equivalently be used).

In generating the identifying number, a plurality of fingerprint characteristics are selected. A series of numbers is assigned to these characteristics with a different number for each characteristic. An example of this is set forth below:

Example 1

Number	Fingerprint Characteristic
1	ridge
2	bifurcation
3	enclosure
4	dot
5	ridge ending
6	scar or mutilation
7	ridge crossing
8	trifurcation
9	island
0	none of the above

* * *

Now, with reference to Example 1 set forth above, utilizing the numbers for the different characteristics and setting them forth in the order of the grid-square position numbers, results in identification number for fingerprint 16 of 4124512122111223. This identification number is indicated at 40 on card 10 of FIG. 1. Preferably, the corresponding grid-square position numbers for identification number' 40 would be set forth above number 40, as shown at 42 on card 10 in FIG. 1. [emphasis added]

'570 Patent, Column 3, Lines 13 through Column 4, lines 11-19 (*Miller Decl.*, Ex. 4).

19. In sum, the “numbers for the different characteristics” described in the ‘570 Patent, found at 40 in Figure 1 of the ‘570 Patent, represent the *types* of the unique characteristics (such as “5” for ridge endings or “2” for bifurcations), and the corresponding “position numbers,” found at 42 in Figure 1 of the ‘570 Patent, represent the *relative locations* of the characteristics. *Bavarian Decl.*, ¶18-20. This is exactly what is described and claimed in the ‘474 Patent. *Id.* at ¶21.

C. **Neldon Johnson Knew** [REDACTED]

[REDACTED]
At his deposition, Johnson admitted t [REDACTED]

[REDACTED]



Johnson Tr. at 180:21 - 182:11 (emphasis added) (*Miller Decl.*, Ex. 3).

21. Despite [REDACTED], Johnson never submitted the '570 Patent to the PTO, so that the PTO could determine whether Johnson's claims were patentable in view of the '570 Patent and any other prior art the PTO was aware of, including, for example, the '068 Patent. See '474 Patent (*Miller Decl.*, Ex. 1) (Johnson's failure to cite the '570 Patent is demonstrated by the fact that the '570 Patent is not listed on the "References Cited" section on the first page of the '474 Patent).

D. The Manner In Which UPEK Learned That Johnson Knew Of The '570 Patent Evidences His Inequitable Conduct

22. In August 2006, after discovery began in the *IAS v. UPEK* case then pending before Judge Jenkins, UPEK served Requests for Production of Documents. The letter from Rapid Patent evidencing the patent search as well as the '570 Patent were responsive to UPEK's document requests. *Miller Decl.*, Ex. 13 (see e.g., Request Nos. 49-51, 53).

23. IAS did not produce either the Rapid Patent letter or the '570 Patent in response to UPEK's document requests. *Miller Decl.*, ¶15.

24. Instead, UPEK learned of Johnson's inequitable conduct through documents produced to UPEK by the Securities and Exchange Commission (the "SEC"); IAS and Johnson had been sued by the SEC for various fraudulent acts in 1998, *Securities and Exchange Commission v. Int'l Automated Systems, Inc. and Neldon P. Johnson*, Case No. 2:98 CV 0687B,

see, Miller Decl., Ex. 14).

25. During the SEC's litigation against IAS and Johnson and the preceding investigation, IAS produced documents relating to IAS's fingerprint technology. When UPEK learned of this production, it prepared a subpoena for the SEC. UPEK's subpoena was served on March 15, 2007.⁹ *Miller Decl., Ex. 15* (UPEK subpoena to SEC)

26. The Rapid Patent letter and the '570 Patent were included in the SEC's document production responsive to UPEK's subpoena. *Miller Decl., Ex. 2* (SEC Bates No. SEC03145).

E. IAS's Counsel Admitted that the "Unique Feature" Of the '474 Patent Is Exactly What Is Disclosed In The '570 Patent

27. At a hearing in the present litigation on December 11, 2006, Judge Jenkins asked counsel for IAS to identify the "unique feature" of the '474 Patent. IAS's counsel responded:

MR. NELSON: The unique feature of this patent, Your Honor, is that it utilizes what's generally referred to as unique characteristics, or minutia, in the fingerprint. It locates and identifies specific types of unique features in a fingerprint. And then in addition to assigning a code associating with that unique characteristic, it then assigns a code associated with the relative position of that unique characteristic. And so it identifies unique characteristics and their position with respect to one another and comes up with a code associated with that. And that in the apparatus of the patent does that and by doing so it substantially reduces the amount of storage that's required for the processing and identifying the person, and it's much faster. So that's the unique aspect of the patent, generally speaking.

December 11, 2006 Hearing Tr., 30:2-15 (*Miller Decl., Ex. 5*). Thus, before evidence came to light demonstrating that Johnson knew of the '570 patent prior to filing the Johnson '014

⁹ UPEK did not obtain the SEC's documents until the end of the summer in 2007.

Application, IAS represented to this Court that the “unique feature” of the ‘474 Patent was exactly what was described in the ‘570 Patent that Johnson did not disclose to the PTO.

F. Neldon Johnson’s Justification For Withholding the ‘570 Patent Is Not Credible

28. At his deposition, Johnson attempted to justify his withholding of the ‘570 Patent from the PTO during the prosecution of the Johnson ‘014 Application [REDACTED]

[REDACTED] Johnson Tr. 186:1-187:15 (*Miller Decl.*, Ex. 3).

29. The patent application claiming [REDACTED]

[REDACTED] See *Miller Decl.*, Ex.

16 (Bates No. IAS000468, IAS000516-518).

30. In particular, on January 21, 1997, Johnson filed a patent application entitled [REDACTED]

[REDACTED], Application Serial No. 08/781,346 (“Johnson ‘346 Application”). See *Miller Decl.*, Ex. 16. Claim 1 of the Johnson ‘346 Application read as follows:

[REDACTED]

[REDACTED]

[emphasis added]

Johnson '346 Application, claim 1 (Bates No. IAS000514) (*Miller Decl.*, Ex. 16).

31. Johnson's [REDACTED] patent application, which Johnson [REDACTED]

[REDACTED] Both the Johnson '014 Application and the [REDACTED]

¹⁰ *Id.*

32. Neldon Johnson withheld the '570 Patent from the PTO [REDACTED]

[REDACTED] *Miller Decl.*, Ex. 16 ([REDACTED])

III. ARGUMENT

A. Legal Standard

1. Summary Judgment

A court may grant summary judgment where no genuine issue of material fact exists and the movant is entitled to judgment as a matter of law. Fed.R.Civ.P. 56; *Celotex Corp. v. Catrett*, 477 U.S. 317,322 (1986); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242,248 (1986). The party moving for summary judgment bears the initial burden of demonstrating the absence of any genuine issue of material fact. *Id.* at 256. A genuine issue of material fact is defined as one that could be decided in favor of either party. *Id.* at 249-50. After the moving party meets its initial burden, the non-moving party has the burden of coming forward with evidence of specific facts showing there is a genuine issue of material fact requiring trial. *Celotex*, 477 U.S. at 325.

¹⁰ The Johnson '346 Application was rejected by the PTO and never issued. *Miller Decl.*, Ex. 16 (IAS000581- IAS000596).

“However, merely conclusory statements or completely insupportable, specious, or conflicting explanations or excuses will not suffice to raise a *genuine* issue of fact. *Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.* 984 F. 2d 1182, 1190 (Fed. Cir. 1993) (emphasis in original). Enough evidence must favor the non-moving party’s case such that a reasonable jury could return a verdict in its favor. Evidence that is merely colorable or not significantly probative will not avoid summary judgment. *Anderson*, 477 U.S. at 249-50. Note that summary judgment practice under Fed.R.Civ.P. 56 is appropriate in patent cases. *Barmag Barmer Maschinenfabrik v. Murata Machinery Ltd.*, 731 F.2d 831, 835 (Fed. Cir. 1984).

2. Inequitable Conduct

Patent applicants have a duty of candor to the PTO during the prosecution of their patent applications. 37 C.F.R § 1.56(a); *see also, Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995); See also 37 C.F.R § 1.56(a). Patent applicants are required to submit all material information to the PTO so the PTO can determine whether that information affects the patentability of the claims sought by the applicant. *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F. 3d 1359, 1367 (Fed. Cir. 2007) (holding that “applicants [should] continue to submit information for consideration by the Office in applications rather than making and relying on their own determinations of materiality”). Patent applicants must acknowledge this duty of candor during prosecution, which Johnson did when he executed a declaration he filed with the PTO during prosecution of the ‘474 Patent. *Miller Decl.*, Ex. 12, Bates No. IAS000400-402.

A patentee such as Johnson engages in inequitable conduct when he or she breaches the duty to the PTO of candor, good faith, and honesty. *Molins*, 48 F.3d at 1178. Inequitable conduct exists when (1) the patentee withholds material information from the PTO and (2) does so with an intent to deceive or mislead the PTO. *Id.* Once a threshold level of materiality and intent has been shown, the Court determines inequitable conduct by balancing the levels of materiality and intent, with a highly material non-disclosure requiring a lower level of intent.

Aventis Pharma Inc. v. Amphastar Pharmaceuticals, Inc., 2008 U.S. App. LEXIS 10357 at *22 (Fed. Cir. May 14, 2008) (“the more material the omission or misrepresentation, the less intent must be shown to elicit a finding of inequitable conduct”) (copy of case at *Miller Decl.*, Ex. 17). Inequitable conduct must be demonstrated by clear and convince evidence. *Cargill*, 476 F. 3d at 1363.

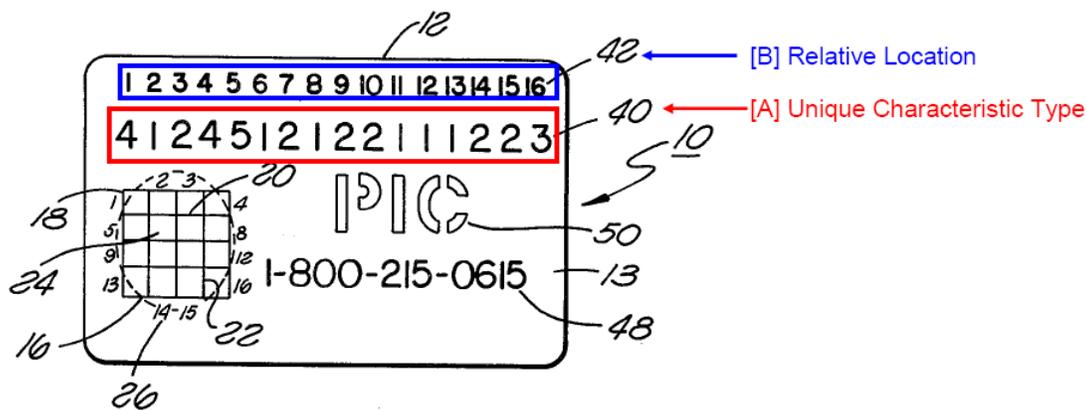
The Federal Circuit recognizes that summary judgment is appropriate on the issue of inequitable conduct when there is no genuine issue as to any material fact. *Ferring B.V. v. Barr Laboratories, Inc.*, 437 F. 3d 1181, 1194 (Fed. Cir. 2006); *Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.* 984 F. 2d 1182, 1190 (Fed. Cir. 1993).

B. The ‘570 Patent Is Highly Material To The Claims Of The ‘474 Patent

The ‘570 patent Johnson concealed from the PTO discloses a fingerprint card having a “unique code” comprised of the type and relative location of unique fingerprint characteristics (i.e., fingerprint minutia). *Bavarian Decl.*, ¶18-21. The following color-coded chart and corresponding figure from the ‘570 Patent illustrate the striking similarity between what Johnson patented and what was disclosed in the ‘570 Patent, demonstrating the high degree of materiality the ‘570 Patent had to the patentability of the claims of the ‘474 Patent:

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Claim 1 of '474 Patent	'474 Patent Supporting Specification Col. 3, lines 37-39	'570 Patent Specification Col. 3, lines 16-20 Col. 4, lines 16-19
<p>...means for giving each identifying characteristic its own unique code</p> <p>[A] which is comprised of the type and</p>	<p>The unique identification code is composed of...</p> <p>[A]...and a biologically unique identifiable mark.</p>	<p>The identifier is made up of</p> <p>[A] a series of alpha, numeric, or alpha numeric designations or symbols, with each individual designation representing a selected fingerprint characteristic in respective squares of grid 18."</p>
<p>[B] also relative location..."</p>	<p>[B] ...a location reference...</p>	<p>[B] Preferably, the corresponding grid-square position numbers for identification number' 40 would be set forth above number 40, as shown at 42 on card 10 in FIG. 1.</p>



The “unique code” described in the ‘570 Patent contains precisely the same information that Johnson argued was missing from the ‘068 Patent when he distinguished his purported invention from the ‘068 Patent (it should here be recalled that the PTO cited the ‘068 Patent for disclosing every other feature Johnson claimed). This is also the same information IAS’s counsel pointed to when explaining the “unique feature” of the ‘474 Patent to this Court. *See* Undisputed Statement of Material Facts, ¶27.

Thus, it cannot be seriously disputed that the ‘570 Patent is highly material to the patentability of the ‘474 Patent. Information is considered material when there is a substantial likelihood that a “reasonable examiner” would consider it important in deciding whether to allow the application to issue as a patent.” *Cargill*, 476 F. 3d at 1364. For example, information is material if disclosure of the information would have precluded the applicant from advancing certain arguments in favor of patentability. *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F. 3d 1348, 1353 (Fed. Cir. 2005).

In *Bruno*, the patentee attempted to distinguish his patent claim by amending it to add new feature, a “front offset swivel” that the patentee argued was not taught by the references cited by the examiner. This argument resulted in the patent issuing. However, the patentee was in possession of a prior art reference (the “Wecolator”) disclosing an off-center swivel that provided similar advantages as the feature the patentee had argued distinguished his claims from the prior art. The court held that the Wecolator was material because had the examiner known about the Wecolator, the patentee could not have touted the front offset swivel as a point of novelty to distinguish from prior art. *Id.* at 1353-1354.

Bruno is directly on point, and instructs as to why the ‘570 Patent is a highly material prior art reference. Had the examiner of the ‘474 Patent known about the withheld ‘570 patent, Johnson could not have touted the use of the “unique code” comprised of the type and relative location of unique characteristics as being a point of novelty over the prior art, including ‘068 patent, since this allegedly novel “unique code” feature was disclosed in the ‘570 patent. A reasonable examiner would accordingly have considered the ‘570 patent important in deciding whether to allow the Johnson ‘014 Application to issue as a patent. This renders the ‘570 Patent highly material. Further, because the ‘570 Patent discloses the precise features Johnson used to distinguish the alleged invention of the ‘474 Patent over the prior art, the ‘570 Patent establishes, by itself or in combination with other prior art, a prima facie case of unpatentability of the ‘474

claims, highlighting its materiality. 37 C.F.R. § 1.56(b).

C. Johnson Intentionally Withheld the '570 Prior Art From The PTO

Given the highly material nature of the withheld '570 Patent, a lower level of intent is sufficient for a finding of inequitable conduct. *Aventis Pharma*, 2008 U.S. App. LEXIS 10357 at *22. In this regard, “intent need not, and rarely can, be proven by direct evidence.” *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 873 F. 2d 1418, 1422 (Fed. Cir. 1989). Instead, intent must generally “be inferred from the facts and circumstances surrounding the applicant’s overall conduct.” *Paragon Podiatry Lab., Inc. v. KLM Lab., Inc.*, 984 F. 2d 1182, 1189 (Fed. Cir. 1993).

1. Johnson’s Conduct Leads To An Inference Of His Intent To Withhold

Johnson’s deceptive intent to withhold the '570 Patent from the PTO can be inferred from the fact that [REDACTED], and the fact that he could not have made the arguments he made for patentability had the withheld '570 Patent been disclosed to the PTO. *LaBounty Mfg., v. United States ITC*, 958 F.2d 1066, 1076 (Fed. Cir. 1992) (ruling that inference of deceptive intent was supported by evidence of applicant making patentability arguments that could not have been made had the withheld prior art been disclosed). In other words, had Johnson satisfied his duty of candor and disclosed the '570 Patent to the Examiner handling the Johnson '014 Application, Johnson could not have made the statements he made in his specification as to why his purported invention was distinguishable from the prior art (e.g., the '068 Patent).

2. Johnson’s Inferred Intent To Withhold Meets The Standard For Grant Of Summary Judgment

The Federal Circuit has held that “summary judgment is appropriate on the issue of intent if there has been a failure to supply highly material information and if the summary judgment record establishes that (1) the patent applicant knew of the information; (2) the applicant knew or should have known about the materiality of the information and (3) the applicant has not

provided a credible explanation for withholding the information. *Ferring*, 437 F. 3d at 1191. *See also, Bruno*, 394 F. 3d at 1354. Here, all three of these requirements are met.

a. Johnson Admitted

Johnson admitted in his deposition that

. See Undisputed Statement of Material Facts, ¶19.

b. Johnson Knew Or At Minimum Should Have Known That The '570 Patent Was Material

The '570 Patent disclosed the same feature that Johnson used to distinguish his purported invention from the prior art '068 Patent, and that Johnson's attorney conceded was the "unique aspect" of the '474 Patent. *See Undisputed Statement of Material Facts*, ¶10-13, 17, 26. As the named inventor of the '474 Patent, it should have been readily apparent to Johnson (and no doubt was apparent to him) when he studied the '570 Patent that the '570 Patent disclosed placing a "unique code" comprised of the type and relative location of unique fingerprint characteristics on a card. As the color-coded table and chart above amply demonstrate, the first page of the '570 Patent contains a picture of a card having the code comprised of the minutia type and relative location thereon, meaning that the relevant teachings of the '570 Patent were easy to find. *Miller Decl.*, Ex. 4. Johnson therefore knew or should have known that '570 Patent taught the very feature he was touting to the PTO as being difference between his purported invention and prior art, including the '068 Patent.

c. Johnson Has Not Provided A Credible Explanation For Withholding The '570 Patent

Johnson testified at his deposition that the Rapid Patent prior art search had been

. See Undisputed Statement of Material Facts, ¶27. This is not a legitimate explanation for failing to disclose the '570 Patent to the PTO.

First, Johnson's purported [REDACTED]

[REDACTED] . At his deposition, Johnson admitted that his [REDACTED]

Johnson Tr. at 182:17-183:19 (*Miller Decl.*, Ex. 3). This admission contradicts Johnson's argument that his purported [REDACTED]

[REDACTED] . In fact, the Johnson '346 Application which [REDACTED]

[REDACTED] was a continuation-in-part of the application that issued as '474 Patent. *See Undisputed Statement of Material Facts*, ¶28. Moreover, claim 1 of Johnson's '346 Application [REDACTED]

[REDACTED] . *See Undisputed Statement of Material Facts*, ¶29,30. Johnson's explanation that the two inventions are different is wrong and not credible.

Even if the purported [REDACTED] was a different invention from the fingerprint technology of the '474 Patent, as Johnson claims, a patent applicant cannot pretend that information learned in one context is irrelevant in another context just because the applicant learned about the information when doing something for an unrelated project. The legal standard requiring disclosure is far broader, in that a patent applicant must disclose "all material information they are aware of, or reasonably should have been aware of, . . . , regardless of the source of or how they became aware of the information." *McKesson Information Solutions, Inc., v. Bridge Medical, Inc.*, 487 F. 3d 897, 908, 923 (Fed. Cir. 2007) (holding that a prior art reference that the applicant came to know about during prosecution of a different patent application should have been disclosed to the Examiner because the claims of the two patents were substantially similar; also finding it significant that the withheld prior art disclosed a limitation present in the patent application being prosecuted; further finding it significant that the

withheld prior art disclosed the “three-node communication – the very type of communication” that the applicant had used to differentiate from the prior art).

Johnson’s attempt to plead ignorance of the materiality of the ‘570 patent is consequently futile. “An applicant who knew of the art or information cannot intentionally avoid learning of its materiality ... it may be found that the applicant should have known of that materiality.” *Bruno Indep. Living Aids*, 394 F. 3d at 1354 (rejecting patentee’s claim that disclosure to FDA was relevant only for securing FDA approval and had no bearing on whether patentee knew the materiality of prior art for purposes of patentability as disingenuous and finding that the patentee withheld the prior art at issue in that case with an intent to deceive).

Additional undisputed evidence of Johnson’s inequitable conduct is the fact that he filed the patent application for the ‘474 patent on March 10, 1995, only two months after receiving the Rapid Patent search results and his studying of the ‘570 patent. *See* Undisputed Statement of Material Facts, ¶9, 19. Given the significance of the “unique code” feature he was using to distinguish over the prior art the PTO used to reject the Johnson ‘473 Application and the fact that the same “unique code” feature is disclosed in the ‘570 Patent he was studying as recently as two months before filing the ‘474 Application (and almost certainly while writing the ‘474 patent), it cannot be disputed that Johnson knew or at a minimum should have known that the ‘570 was material to the ‘474 Application. Johnson’s explanations to the contrary lack credibility.

Finally, Johnson’s intent to deceive and lack of credibility can be seen by the fact that he concealed the ‘570 Patent from the PTO [REDACTED],

[REDACTED]. *See* Undisputed Statement of Material Facts, ¶32. Thus, it is clear that Johnson did not want the PTO to see the ‘570 Patent, as it would have prevented him from obtaining patents that he could use to sue companies like UPEK.

d. The Manner In Which UPEK Learned Of Johnson’s Failure To Disclose The ‘570 Patent Further Demonstrates Johnson’s Intent To Deceive.

The documents relevant to Johnson’s knowledge and failure to disclose the ‘570 Patent were not produced by IAS in this litigation. Instead, UPEK learned of these facts during its independent investigation, through a subpoena to the SEC. *See* Undisputed Statement of Material Facts, ¶¶21-25. UPEK is at a loss as to how it is that these documents were not produced by IAS in response to UPEK’s document requests. Either these documents were improperly withheld from production or they were destroyed. Either way, the circumstances suggest an attempt by Johnson to prevent UPEK from learning about these documents and demonstrates his intent to deceive.

3. The Facts And Circumstances Surrounding Johnson’s Conduct Therefore Demonstrate His Intent To Deceive

Summarizing UPEK’s arguments, the high degree of materiality of the ‘570 Patent, which Johnson knew or should have known, the lack of a credible explanation for the withholding the ‘570 Patent from the PTO, and the facts and circumstances surrounding this knowing failure to disclose the ‘570 Patent, together establish that the ‘570 patent was withheld with a deceptive intent. *Ferring*, 437 F. 3d at 1191 (Fed. Cir. 2006); *Cargil*, 476 F. 3d at 1367 (holding that a “high degree of materiality, coupled with evidence that the applicant should have known of that materiality, creates a strong inference of an intent to deceive”); *Bruno Indep. Living Aids*, 394 F. 3d at 1354 (holding that where the patentee “has not proffered a credible explanation for the nondisclosure ...an inference of deceptive intent may fairly be drawn in the absence of such an explanation”); *Critikon , Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F. 3d 1253, 1257 (Fed. Cir. 1997) (holding that “a patentee facing a high level of materiality, can expect to find it difficult to establish ‘subjective good faith’ sufficient to prevent a drawing of inference of intent to mislead”).

D. The Court Should Declare The ‘474 Patent Unenforceable And Find This Case Exceptional

UPEK has established that Johnson is guilty of inequitable conduct. The remedy when a patent has been acquired through inequitable conduct is a declaration of patent unenforceability, a finding that this litigation is exceptional under 35 U.S.C. § 285 and an award of attorneys’ fees and costs. *Monsanto Co., v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1242 (Fed. Cir. 2008) (*citing Brassler, U.S.A. I. L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001)). Given what UPEK had to do to uncover the evidence of Johnson’s inequitable conduct, and the fact that IAS did not produce any of the inequitable conduct evidence even though this evidence was plainly responsive to UPEK’s discovery requests, make an award for attorneys’ fees and costs even more appropriate in this case.

IV. CONCLUSION

For the reasons stated above, UPEK respectfully requests the Court to rule that Johnson engaged in inequitable conduct before the PTO in connection with the prosecution of the ‘474 Patent, that UPEK is entitled to summary judgment on the ground that the ‘474 Patent is unenforceable, and that judgment in favor of UPEK be entered accordingly.

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Dated: June 23, 2008

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