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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

IN RE: AMERANTH PATENT
LITIGATION

Lead Case No. 11-cv-1810 DMS (WVG)

**REPLY BRIEF IN SUPPORT OF
AMERANTH’S MOTION FOR
SUMMARY ADJUDICATION OF
UNENFORCEABILITY OF ‘449
PATENT FOR INEQUITABLE
CONDUCT IN ITS PROSECUTION**

Date: November 3, 2017
Time: 1:30 p.m.
Location: Courtroom 13A
Judge: Hon. Dana M. Sabraw

Complaint Filed: August 15, 2011

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I. INTRODUCTION

1 Brazenly, IPDEV does not deny its willful blindness scheme. Rather,
2 IPDEV contends that Therasense abrogated the case law against such tactics.
3 IPDEV urges the Court to adopt a radical interpretation of Therasense that would
4 transform the opinion into a “willful blindness guidebook” on how a patent
5 applicant can avoid and nullify its duties of candor and disclosure to the PTO.
6 Under IPDEV’s interpretation, no matter how much adverse material information
7 exists and is known to the applicant, its officers, general counsel and/or litigation
8 attorneys, no duty of disclosure to the PTO arises so long as none of that
9 information is communicated to patent prosecution counsel and the prosecutors
10 assiduously avoid reading or reviewing any known material. Fortunately, that is
11 not the law, and IPDEV’s attempt to shirk its duties to the PTO fails.
12

13 IPDEV attempts to deny the materiality of determinations of three federal
14 judges and the PTAB regarding the meaning of two core claim terms of the ‘077
15 and ‘449 Patents-- “synchronization” and “wireless handheld computing device” –
16 which undercut IPDEV’s misleading arguments to the PTO. Neither of these
17 critical claim terms appear anywhere in the Cupps specification. Thus, the source
18 for proper construction of the terms was contained in the material information
19 IPDEV intentionally withheld from the ‘449 Examiner, without which no
20 meaningful § 112 analysis of IPDEV’s application could have been conducted.¹

21 IPDEV admits that Judge Payne “concluded that the ‘739 patent does not
22 disclose synchronization” (the inventive thrust of the ‘077 patent claims), yet
23 insists that withholding this judicial ruling from the ‘449 Examiner was harmless
24

25
26 ¹ “Where the claims have not been properly construed, the full scope of the claim is
27 unknown, thereby rendering baseless any determination of written support in an
28 earlier patent.” X2Y Attenuators, LLC v. Int’l Trade Comm’n, 757 F.3d 1358,
1365 (Fed. Cir. 2014).

1 because the Court’s ruling was “not binding on the PTO.” Whether or not a
2 judicial decision is “binding,” however, does not establish whether it is “material”
3 and must be disclosed. IPDEV likewise contends that its withholding of a patent
4 examiner’s conclusion that Cupps does not teach “ticketing” or “reservations” was
5 not material because it is set forth in a “single sentence” of an Office Action.
6 However the materiality of a finding is not measured by its length. Both Judge
7 Payne’s ruling that Cupps does *not* teach synchronization, and a patent examiner’s
8 conclusion that Cupps does *not* disclose ticketing or reservations applications, are
9 “but-for” material. IPDEV’s withholding of these finding from the PTO therefore
10 supports a finding of inequitable conduct and unenforceability of the ‘449 Patent.

11 II. DISCUSSION

12 A. The “Willful Blindness” Doctrine Has Never Been Abrogated

13 As described in Ameranth’s Opening Brief, the primary basis of this
14 inequitable conduct motion is not the assertion that IPDEV’s patent prosecutors
15 themselves—Hamilton and Wang—had personally reviewed the numerous items
16 of material information described in the brief yet failed to disclose the information
17 to the PTO. Rather, the thrust of the motion is that: (a) IPDEV impermissibly
18 “cultivated ignorance” and created “willful blindness” in the prosecutors in a
19 calculated effort to keep that material adverse information from the PTO, and (b)
20 the prosecutors themselves engaged in a “studied refusal to timely investigate”
21 such sources of material information in order to perpetuate this strategy.

22 Both James and David Kargman testified that they relied completely on
23 Hamilton and Wang to make any requisite disclosures to the PTO. However,
24 neither Kargman ever met either prosecutor. Wang testified that she did not know
25 who James or David Kargman were. **Exh. 14** (Wang Depo., pp. 24-25). Hamilton
26 did not know James Kargman’s role at IPDEV or even if he had a duty of
27 disclosure. **Exh. 13** (Hamilton Depo., p. 37, ll. 17-25; p. 121, ll. 3-25).
28 Consequently, Hamilton could not have been ensuring that the Kargmans’ duty of

1 disclosure was met when he did not even know whether they had such a duty.
2 When Hamilton could not plausibly deny knowledge of material references he
3 simply elected not to read them or perform any investigation into them. Perkins
4 Coie supported the willful blindness stratagem by trying to shield Hamilton and
5 Wang from knowing about the CBM's by setting up an ethical wall. Such
6 purposeful cultivation of ignorance violates the duties of candor and disclosure as
7 articulated by the Federal Circuit in Brasseler, USA I, LP v. Striker Sales Corp.,
8 267 F.3d 1370, 1382-83 (2001), and the duty to investigate as recognized by this
9 Court in DaimlerChrysler AG v. Feuling Advanced Technologies, Inc., 276
10 F.Supp.2d 1054, 1066 (S.D. Cal. 2003).

11 Moreover, the duties of candor and disclosure are not limited to the patent
12 prosecuting attorneys but extend to *every other person who is substantively*
13 *involved in the preparation or prosecution of the application and who is associated*
14 *with the inventor, with the assignee or with anyone to whom there is an obligation*
15 *to assign the application.* 37 C.F.R. §1.56(c)(3). Furthermore, it is contemplated
16 that persons substantively involved with an application who are not themselves the
17 prosecuting counsel fulfill their duty “by disclosing information to the attorney,
18 agent or inventor.” 37 C.F.R. §1.56(d). This principal was reaffirmed recently in
19 Ohio Willow Wood Co. v. Alps South, LLC, 813 F.3d 1350, 1355 (Fed. Cir.
20 2016). There, the Federal Circuit affirmed a finding of inequitable conduct based
21 on information known to an applicant's Director of Research and Development
22 (who was responsible for overseeing the litigation from which material information
23 arose, and was the “person in the middle” between litigation counsel and patent
24 prosecution counsel who were ethically screened from each other) where the
25 Director failed to disclose to the patent prosecutors or to the PTO material adverse
26 information he became aware of from his oversight of the litigation.

27 IPDEV *admitted* in deposition that the people involved in the prosecution of
28 the application for the '449 Patent included: patent prosecutors Joe Hamilton and

1 Yingli Wang, David Kargman and James Kargman of IPDEV, and Mike Warnecke
2 of the Perkins Coie law firm. **Exh. 12** (IPDEV 30(b)(6) Depo., p. 22, l. 19 to p. 23,
3 l. 15). (Joe Hamilton also testified that George Yu provided him with information
4 in connection with the ‘449 prosecution (**Exh. 13** (Hamilton Depo., p. 81, ll. 3-9).)
5 IPDEV acknowledged that its “person in the middle” was David Kargman—the
6 patent prosecutors for the application for the ‘449 Patent reported to him as general
7 counsel for IPDEV, and the litigation counsel for QuikOrder before this Court
8 (George Yu) directly reported to him as general counsel for QuikOrder. **Exh. 12**
9 (IPDEV 30(b)(6) Depo., p. 38, ll. 6-22). Like the Director in Ohio Willow Wood,
10 David Kargman as IPDEV/QuikOrder’s general counsel is “the person in the
11 middle” and is *not* permitted to circumvent the duty of disclosure by depriving the
12 prosecutors of information learned of through litigation. But that is exactly what
13 he did. And the prosecutors collaborated by sticking their heads in the sand and
14 not investigating or reviewing information of which they became aware. **Exh. 13**
15 (Hamilton Depo., p. 178, l. 25 to p. 179, l. 21; p. 195, ll. 7-9). David Kargman
16 made sure that his father would not slip up and expose any material information to
17 Hamilton or Wang by ordering him not to speak with them directly. See Exh. 9 (J.
18 Kargman Depo., p. 186, ll. 9-23)(“anything I asked of Joe had to go through David
19 because David wouldn’t let me use the phone because I talk too much”).

20 IPDEV argues that the willful blindness doctrine was “abrogated” by the
21 2011 decision in Therasense. But Therasense does not discuss the willful
22 blindness doctrine or purport to overturn it. Furthermore, nothing in Therasense
23 relieves other persons associated with the applicant and involved in the prosecution
24 from their own duties of disclosure to the PTO. Here, however, the Kargmans left
25 the decision about what was to be disclosed to the PTO entirely to their willfully
26 blind patent prosecutors and made no disclosures themselves. **Exh. 12** (IPDEV
27 30(b)(6) Depo., p. 39, l. 19 to p. 40, l. 25).

1 A. **IPDEV’s Failure to Disclose the CBM Proceedings For the ‘077 Patent**
2 **Was Material Not Because of the *Result* of the Proceedings, But Because**
3 **of the PTAB’s Recognition That “Wireless Handheld Computing**
4 **Device” Refers to a Small PDA-Sized Device, Which IPDEV’s**
5 **Specification Does *Not* Teach**

6 IPDEV argues that its failure to disclose the existence of the CBM
7 proceedings challenging the patentability of the claims of the ‘077 Patent was not
8 material because Ameranth prevailed and the PTAB ultimately rejected that
9 challenge. This argument is legally incorrect² and misleadingly dodges the point
10 raised by Ameranth in its Opening Brief.

11 As Ameranth made clear, the significance of the CBM proceedings lays in
12 the fact that both the petitioners (including those represented by the same Perkins
13 Coie firm that represented IPDEV in the ‘449 patent prosecution) and the PTAB
14 itself recognized that the core claim term “wireless handheld computing device”
15 refers to “small PDA-sized” devices. **Exh. 4**, p. 48; **Exh. 5**, p. 28.

16 This is critical because the Cupps specification nowhere discloses such
17 small, PDA-sized, handheld devices. Without disclosing the position taken by the
18 petitioners or the PTAB, IPDEV represented to PTO that the disclosure of
19 “laptops” provided sufficient support for “wireless handheld computing device.”
20 Had the PTO been advised of how this issue was treated in the CBM proceedings,
21 it would not have found that the Cupps disclosure of “laptops” fulfilled the §112
22 support requirement for “wireless handheld computing device.”

23
24 ² See Leviton Mfg. Co. v. Univ. Sec. Instr., Inc., 606 F.3d 1353, 1362 (Fed. Cir.
25 2010)(“Leviton instead argues that the fact that Leviton succeeded on the validity
26 of those patents shows that those litigations were not material. We disagree.
27 Leviton violated the requirements of MPEP § 2001.06(c) and this Court's
28 precedent by failing to bring these cases to the PTO's attention”); Cutsforth, Inc. v.
LEMN Liquidating Co., LLC, 2013 WL 2455979 *6-7 (D. Minn. 6-6-13).

1 **B. QuikOrder’s Invalidation Claims Against the ‘077 Patent Were Not**
2 **Limited to Prior Art That Post-Dates the Cupps Patent**

3 IPDEV argues that it had no duty to disclose litigation regarding the ‘077
4 Patent because “related litigation” supposedly includes only “an applicant’s own
5 patents.” *Oppo.*, p. 12. IPDEV admits, however, that the claims of its ‘449 Patent
6 *directly copy* the claims of Ameranth’s ‘077 Patent. Therefore, bases for
7 potentially invalidating the claims of the ‘077 Patent—with limited exception—
8 also apply to the validity of the copy-cat claims of the ‘449 Patent.
9

10 An exception to this principal is invalidity challenges based on “prior art”
11 references that might pre-date the priority date of the ‘077 Patent but not the earlier
12 priority date IPDEV claims for the ‘449 Patent (based on Cupps). However,
13 QuikOrder’s invalidity charges against the claims of the ‘077 Patent are not limited
14 to anticipation or obviousness assertions based on alleged prior art references.
15 QuikOrder (and the other defendants) challenge the validity of the claims under
16 each of “35 U.S.C. § 101, 102, 103 and/or 112.” The fact that these wide ranging
17 challenges are being asserted by IPDEV’s affiliate, QuikOrder, and by the same
18 law firm (Perkins Coie) that prosecuted the ‘449 Patent for IPDEV, underscores
19 that IPDEV had a duty to disclose these challenges to the PTO. Moreover, in its
20 Rule 26 disclosures QuikOrder identified *Jim Kargman* as the witness primarily
21 knowledgeable about “QuikOrder’s invalidity and non-infringement defenses.”
22 **Exh. 1**, p. 3, ll. 23-24. Yet those invalidity defenses were withheld from the PTO.
23
24

25 **C. The Office Action Cited by QuikOrder And Attached to its**
26 **Counterclaim Was Material Because the Examiner Stated That the**
27 **Cupps Patent Did *Not* Disclose Ticketing or Reservations Applications**
28

1 IPDEV's affiliate, QuikOrder, attached as *Exhibit 1* to its Counterclaim a
 2 January 7, 2010 PTO Office Action. David Kargman was aware of the QuikOrder
 3 counterclaim and was the one responsible for approving it as general counsel.

4 **Exh. 12** (IPDEV 30(b)(6) Depo., p. 79, l. 3 to p. 80, l. 8). IPDEV also discussed
 5 with the '449 Patent prosecutors the fact that Ameranth had sued QuikOrder for
 6 infringement of the '077 Patent in this Court. *Id.* at p. 82, ll. 1-16.

7 The significance of the Office Action relied upon by QuikOrder is that the
 8 Examiner therein determined that Cupps did *not* disclose either a ticketing
 9 application or a reservations application (as set forth in claims 4 and 5 of the '077
 10 and '449 Patents)³. **Exh. 7**, p. 10. Despite this "but for" determination by the
 11 PTO, IPDEV misleadingly represented to the '449 Examiner that Cupps supported
 12 both ticketing and reservation applications. It clearly does not.

13 **D. The '850 and '325 Patents Are Related to the '077 Patent and to**
 14 **IPDEV's '449 Patent, Which Admittedly Copies the '077 Claims**

15 IPDEV argues in its Opposition that it had no duty to disclose litigation
 16 concerning the '850 or '325 Patents from the '077 Patent family because they
 17 supposedly are not related or material to the '449 Patent. However, as discussed
 18 above, the '449 Patent directly copies the claims of the '077 Patent. The '850 and
 19 '325 Patents are in the same "family" as the '077 Patent and contain many of the
 20 same claim terms and elements as the '077 and '449 Patents. Most tellingly,
 21 however, IPDEV, in its complaint in this matter, asserted that the claims of both
 22 the '850 and '325 Patents "comprise obvious variants" of the claims of IPDEV's
 23

24
 25 ³ In its Opposition, IPDEV mixes up the standard for "obviousness" with the
 26 requirement of sufficient §112 support and disclosure to demonstrate possession of
 27 a claimed invention. Whether or not the Cupps disclosure combined with other
 28 hospitality industry references might render a claim for ticketing (or reservations)
 obvious does *not* establish that the Cupps disclosure itself teaches, contains or
 discloses such claim elements. The Office Action concluded it did not.

1 ‘449 Patent, and that there existed “an interference in fact” between claims of the
 2 ‘850 and ‘325 Patents and those of the ‘449 Patent. Under such circumstances, it is
 3 beyond reasonable dispute that judicial constructions of terms of those patents that
 4 also appear in the ‘449 Patent constitute “related litigation.”
 5

6 **E. The District Court Claim Constructions Are Material and Contradict**
 7 **Representations IPDEV Made to the PTO**

8 IPDEV represents, without citation or authority, that “claim construction
 9 determinations by a district are not considered material to patentability by the
 10 PTO.” *Oppo.*, p. 19, ll. 6-7. While it is true that that PTO uses a different claim
 11 construction standard than employed by the Court, that does not mean that District
 12 Court determinations of claim meaning are not material to the PTO (and IPDEV
 13 does not demonstrate that the terms at issue would be construed any differently
 14 under the BRI standard than under the ordinary and customary standard). Judge
 15 Payne ruled that the core claim term and inventive concept of synchronization—
 16 used in each of the ‘850, ‘325, ‘077 and ‘449 Patents—is *not* disclosed or even
 17 suggested by Cupps. **Exh. 16**, p. 15. Had this unambiguous ruling been disclosed
 18 to the PTO, the ‘449 Examiner would not have issued the patent to IPDEV.

19 Likewise Judge Everingham construed the key term “wireless handheld
 20 computing device” “to mean ‘a wireless computing device that is sized to be held
 21 in one’s hand.’” **Exh. 15**, p. 24 (emphasis added). The Cupps specification relied
 22 upon by IPDEV does not disclose a small device that can be held *in* one’s hand.
 23 The closest Cupps comes is a reference to “laptops.” Therefore IPDEV
 24 represented to the PTO that a “laptop is a handheld computer” in order to
 25 misleadingly manufacture support in the Cupps specification for the claim term.
 26 Had the ‘449 Examiner been aware of Judge Everingham’s construction of the
 27 term, he would have rejected IPDEV’s inconsistent argument. The failure to
 28 disclose this judicial claim construction consequently was material.

1 **F. The E.D. Texas Claim Constructions Were Discussed In the**
2 **Infringement Litigation Before This Court, and Known to IPDEV**

3 George Yu is counsel for QuikOrder in the consolidated patent infringement
4 litigation before this Court. He was also originally lead counsel for IPDEV when it
5 filed the present priority of invention dispute. As discussed above, Yu reported
6 directly to David Kargman (general counsel for both IPDEV and QuikOrder)
7 regarding the infringement litigation before this Court and he repeatedly spoke to
8 Joe Hamilton during the prosecution of the ‘449 Patent application.

9 The proceedings in the Eastern District of Texas, including the claim
10 construction orders, were known and discussed in the infringement litigation
11 before this Court. QuikOrder’s Rule 26 disclosure lists the orders from the Texas
12 lawsuits. **Exh. 1**, p. 14. Liaison counsel for the Joint Defense Group (which
13 includes QuikOrder) acknowledged that the defendants were analyzing those claim
14 constructions. **Exh. 11**, pp. 10-11. Ameranth filed and served in the Consolidated
15 Infringement Cases: (1) an August 23, 2012 Request for Judicial Notice attaching
16 Judge Payne’s claim construction order finding that Cupps does not disclose
17 synchronization (Case No.12-cv-00739, Dkt. No. 34-2); and (2) a September 20,
18 2012 Request for Judicial Notice attaching both Judge Payne’s order and Judge
19 Everingham’s order construing “wireless handheld computing devices” (Case No.
20 12-cv-00729, Dkt. No. 42-4). George Yu, as QuikOrder’s litigation counsel, and
21 David Kargman, as his direct in-house report, thus knew of and were notified about
22 these adverse and “but for” claim construction orders. Nonetheless, IPDEV failed
23 to share them with either prosecution counsel or the PTO.

24 **G. IPDEV Was Obligated to Disclose to the PTO that the ‘077 , ‘850 and**
25 **‘325 Patents Were Allowed Over Cupps**

26 IPDEV contends that it was not required to disclose that the ‘077, ‘850 and
27 ‘325 Patents issued over Cupps because it supposedly fulfilled that duty by merely
28 revealing that the ‘449 Patent application copied the claims of the ‘077 Patent and

1 the Examiner could have looked up the ‘077 Patent and figured it out himself. But
2 an applicant is supposed to disclose material information, not require an Examiner
3 to do his own independent investigation. This is not unlike “burying” a reference.
4 See Coolsystems, Inc. v. Nice Recovery Systems LLC, 2016 WL 6091557 *3-4
5 (N.D. Cal. 10-19-16)(burying references can support inequitable conduct).

6 IPDEV also contends that it was excused from disclosing this fact because *if*
7 the PTO had declared an interference, Ameranth could have submitted such
8 evidence itself. However, the PTO did not institute an interference. Thus, the
9 burden was on IPDEV, as the applicant, to disclose all material information itself
10 to the PTO. It chose not to do so, warranting a finding of inequitable conduct.

11 **III. CONCLUSION**

12 IPDEV’s principals, James and David Kargman, and their counsel failed to
13 disclose to the PTO information known to them that was “but for” material to the
14 patentability of the ‘449 Patent. In an attempt to circumvent their disclosure
15 obligation, they rendered their patent prosecutors willfully blind and schemed to
16 cultivate ignorance about this information, thereby clearly demonstrating an intent
17 to deceive the Patent Office. Because such conduct should not be countenanced,
18 and so that IPDEV’s conduct does not establish a “road map” for violating the
19 duties of candor and disclosure through willful blindness and cultivated ignorance,
20 Ameranth respectfully requests the Court to declare the ‘449 Patent invalid for
21 inequitable conduct in its prosecution.

22
23 Dated: October 25, 2017 CALDARELLI HEJMANOWSKI PAGE & LEER

24 By: /s/ William J. Caldarelli

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