

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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SILICON GRAPHICS, INC.,

Plaintiff,

v.

ATI TECHNOLOGIES ULC,

Defendant.  
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OPINION and ORDER

06-C-611-C

In this action for patent infringement, plaintiff Silicon Graphics, Inc. contends that products made by defendant ATI Technologies ULC infringed three of plaintiff's patents relating to advanced graphics processing technology. Defendant has asserted three counterclaims, including one in which it asserts that United States Patent No. 6,650,327 (the '327 patent) is unenforceable as a result of plaintiff's inequitable conduct before the United States Patent and Trademark Office.

Now before the court is plaintiff's "Motion to Dismiss or Strike Counterclaims and Affirmative Defenses of Inequitable Conduct Pursuant to Fed. R. Civ. P. 12(b)(6), 12(f) and 9(b), or in the Alternative, for a More Definite Statement Pursuant to Fed. R. Civ. P.

12(e).”<sup>1</sup> In its motion, plaintiff contends that defendant’s counterclaim is deficient because (1) it does not designate a particular person who failed to disclose known, material prior art to the U.S. Patent and Trademark Office during the prosecution of the application that became the ‘327 patent and (2) it does not state that plaintiff intended to deceive the U.S. Patent and Trademark office, but rather states that an intent to deceive the U.S. Patent and Trademark office can be inferred from plaintiff’s actions. Because defendant’s inequitable conduct counterclaim states a claim upon which relief may be granted, asserts the required elements with sufficient particularity and is not so vague as to require a more definite statement, plaintiff’s motion will be denied.

Plaintiff’s motion turns on the sufficiency of defendant’s counterclaim related to

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<sup>1</sup> Plaintiff’s present motion was transformed nominally into a motion for summary judgment when the court granted defendant leave to attach documents to its response. Dkt. #27, at 2. When plaintiff replied to defendant’s response, it appears to have believed that it was briefing a substantive motion for summary judgment regarding defendant’s inequitable conduct counterclaim. Understandably, defendant was concerned by this turn of events and filed a motion for clarification. Dkt. #36. On February 13, 2007, United States Magistrate Judge Stephen Crocker issued an order in which he stated that “SGI’s original motion to dismiss did not ask for a decision on the merits of ATI’s counterclaims and the court does not intend to provide one at this early stage. The court will limit its ruling to the procedural challenges SGI raised at the outset.” Dkt. #39, at 2.

As the magistrate judge stated in his order, I will confine my review of plaintiff’s motion to its original scope. At a later point in the proceedings, after the parties have had an opportunity to conduct discovery, plaintiff is free to file a substantive motion for summary judgment regarding defendant’s inequitable conduct counterclaim. However, that motion is not before the court at this time.

inequitable conduct. Its full text is reproduced below.

**COUNT II**  
**CLAIM FOR DECLARATORY JUDGMENT OF**  
**UNENFORCEABILITY OF UNITED STATES PATENT**  
**NO. 6,650,327**

12. ATI hereby incorporates Paragraphs 1-11 of the Counterclaims by reference.

13. On its face, U.S. Application No. 09/098,041 was filed on June 16, 1998 and issued as the '327 patent on November 18, 2003.

14. U.S. Application No. 08/937,793 was filed on September 25, 1997 and issued as U.S. Patent No. 6,567,083 on May 20, 2003.

15. SGI and/or its agents were aware of U.S. Patent No. 6,567,083 and/or its pending application before or during the prosecution of the application that became '327 patent.

16. Despite having knowledge of U.S. Patent No. 6,567,083 and/or its pending application, SGI and/or its agents failed to disclose U.S. Patent No. 6,567,083 and/or its pending application to the Examiner during prosecution of the application that became the '327 patent. Given the actual knowledge and high level of materiality of this reference, it can be inferred that SGI and/or its agents acted with deceptive intent in withholding this reference from the patent office.

17. The subject matter of U.S. Patent No. 6,567,083 and/or its pending application is and was material to the patentability of the '327 patent and/or the application that became the '327 patent, was not cumulative of prior art that was cited during the '327 patent prosecution, and should have been disclosed pursuant to 37 C.F.R. § 1.56. U.S. Patent No. 6,567,083 and/or its pending application, by itself or in combination with other information, establishes a prima facie case of unpatentability of a claim or claims of the '327 patent.

18. SGI and/or its agents were aware of International Application Number PCT/US98/20096 during prosecution of the application that became '327 patent.

19. International Application Number PCT/US98/20096 has a priority date of September 25, 1997, has an International Publication Number of WO 99/16021 and has an international publication date of April 1, 1999.

20. Despite having knowledge of International Application Number PCT/US98/20096, SGI and/or its agents failed to disclose International Application Number PCT/US98/20096 to the Examiner during prosecution of the application that became the '327 patent. Given the actual knowledge and high level of materiality of this reference, it can be inferred that SGI and/or its agents acted with deceptive intent in withholding this reference from the patent office.

21. The subject matter of International Application Number PCT/US98/20096 is and was material to the patentability of the '327 patent and/or the application that became the '327 patent, was not cumulative of prior art that was cited during the '327 patent prosecution, and should have been disclosed pursuant to 37 C.F.R. § 1.56. International Application Number PCT/US98/20096, by itself or in combination with other information, establishes a prima facie case of unpatentability of a claim or claims of the '327 patent.

22. ATI therefore seeks a declaration and finding by this Court that the claims of the '327 patent are unenforceable due to SGI and/or its agents' inequitable conduct before the United States Patent and Trademark Office.

ATI Technologies ULC's Answer and Counterclaim to Amended Complaint for Patent Infringement, Dkt. # 13, at 7-8.

Plaintiff contends that defendant's inequitable conduct counterclaim fails to state a claim upon which relief may be granted for two reasons. First, defendant alleges only that

“SGI and/or its agents failed to disclose U.S. Patent No. 6,567,083 and/or its pending application” and “International Application Number PCT/US98/20096” and fails to state specifically the identity of the person or persons who failed to make this disclosure. Second, defendant fails to allege intent properly when it states that “it can be inferred that SGI and/or its agents acted with deceptive intent in withholding th[ese] reference[s] from the patent office.”

A motion to dismiss does not test the merits of a complaint, but rather the sufficiency of its allegations. Gibson v. City of Chicago, 910 F.2d 1510, 1520 (7th Cir. 1990). In considering a motion to dismiss for failure to state a claim, the court must accept as true well-pleaded factual allegations, drawing all reasonable inferences in favor of the pleading party. Moranski v. General Motors Corp., 433 F.3d 537, 539 (7th Cir. 2005). The court may dismiss a complaint for failure to state a claim under Fed. R. Civ. P. 12(b)(6) only if “it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.” Lee v. City of Chicago, 330 F.3d 456, 459 (7th Cir. 2003) (quoting Conley v. Gibson, 355 U.S. 41, 45-46 (1957)). In addition, Fed. R. Civ. P. 9(b) requires dismissal of claims of fraud that are not pleaded with sufficient particularity. Kennedy v. Venrock Associates, 348 F.3d 584, 593 (7th Cir. 2003); Uni\*Quality, Inc. v. Infotronx, Inc., 974 F.2d 918, 923 (7th Cir. 1992) (party alleging fraud “must plead the ‘who, what, when, and where’ of the alleged fraud”).

For a patent to be held unenforceable because of inequitable conduct, there must be clear and convincing evidence that the applicant (1) made an affirmative misrepresentation of material fact or failed to disclose material information or submitted false material information, and (2) intended to deceive the U.S. Patent and Trademark Office. Impax Laboratories, Inc. v. Aventis Pharmaceuticals, Inc., 468 F.3d 1366, 1374 (Fed. Cir. 2006). Although inequitable conduct is a broader concept than common law fraud, it must be pleaded with particularity pursuant to Federal Rule of Civil Procedure 9(b). Ferguson Beauregard/Logic Controls, Division of Dover Resources, Inc. v. Delaware Capital Formation, Inc., 350 F.3d 1327, 1344 (Fed. Cir. 2003).

First, plaintiff contends that defendant's counterclaim fails because it does not identify by name individuals who engaged in the alleged inequitable conduct during the prosecution of the application that became '327 patent. Plaintiff argues that defendant's identification of "SGI and/or its agents" is too vague to satisfy Rule 9(b). However, this is not a case where defendant has alleged fraud generally, leaving plaintiff without requisite information about who allegedly engaged in the fraud. Plaintiff itself points out that under 37 C.F.R. § 1.56, the duty of candor and good faith in dealing with the U.S. Patent and Trademark Office applies to "[e]ach individual associated with the filing and prosecution of a patent application." In this case, the duty applied to plaintiff's employees and agents that were engaged in the filing and prosecution of the '327 patent. Thus, although defendant's

complaint does not identify those employees and agents by name, the complaint should leave plaintiff with little question about whom defendant alleges engaged in inequitable conduct.

Second, plaintiff contends that defendant's allegation that "it can be inferred that SGI and/or its agents acted with deceptive intent in withholding th[ese] reference[s] from the patent office" fails to adequately allege the element of intent. Although plaintiff's brief is not entirely clear, its arguments appear to be that (1) defendant is not allowed to prove intent by inference and that defendant has failed to state a claim as a result and (2) defendant has not pleaded intent with sufficient particularity under Rule 9(b).

Plaintiff is correct that to prevail on its inequitable conduct counterclaim, defendant will be required to demonstrate that plaintiff intended to mislead or deceive the U.S. Patent and Trademark Office by failing to disclose material prior art of which it had knowledge. When put to its proof, defendant will not be able to rely on a presumption that plaintiff intended to mislead or deceive because undisclosed prior art was material. Manville Sales Corp. v. Paramount Systems, Inc., 917 F.2d 544, 552 (Fed. Cir. 1990) ("[M]ateriality does not presume intent, which is a separate and essential component of inequitable conduct." (citing Allen Organ Co. v. Kimball International, Inc., 839 F.2d 1556, 1567 (Fed. Cir. 1988))).

However, defendant does not assert that intent may be presumed in this case. Instead, defendant alleges that plaintiff's intent to deceive the U.S. Patent and Trademark

Office may be inferred from the circumstances. If defendant can prove facts and circumstances sufficient for the trier of fact to infer that plaintiff intended to deceive the U.S. Patent and Trademark Office, it will prevail; circumstantial evidence is a legitimate method of proving intent in the context of an inequitable conduct claim. Frazier v. Roessel Cine Photo Technology, Inc., 417 F.3d 1230, 1235-36 (Fed. Cir. 2005) (“This court has repeatedly said that direct evidence of intent is unavailable in most cases and unnecessary in any event.” (citing Bruno Independent Living Aids, Inc. v. Acorn Mobility Services, Ltd., 394 F.3d 1348, 1354 (Fed. Cir. 2005) (“Intent need not, and rarely can, be proven by direct evidence. Rather, in the absence of a credible explanation, intent to deceive is generally inferred from the facts and circumstances surrounding a knowing failure to disclose material information.” (citation omitted)))); Ulead Systems, Inc. v. Lex Computer & Management Corp., 351 F.3d 1139, 1146 (Fed. Cir. 2003) (“Direct evidence of deceptive intent is not required; rather it is usually inferred from the patentee's overall conduct.”).

Further, whether defendant will be able to establish intent at a later stage does not alter Rule 9(b)’s pleading requirements. Rule 9(b) provides specifically that “intent . . . may be averred generally.” Defendant has done this. Because defendant has stated a claim upon which relief may be granted and has pleaded intent with sufficient particularity, plaintiff’s motion to dismiss defendant’s inequitable conduct counterclaim on the grounds that defendant has failed to adequately plead intent will be denied.



Next, plaintiff contends that defendant's fourth affirmative defense (unenforceability based on inequitable conduct) should be stricken for failure to state a claim, pursuant to Rule 12(f). Rule 12(f) provides that the court may "order stricken from any pleading any insufficient defense or any redundant, immaterial, impertinent, or scandalous matter." Fed. R. Civ. P. 12(f). As I stated in the order denying plaintiff's motion to strike seven of defendant's other counterclaims, motions to strike portions of pleadings are disfavored generally, Custom Vehicles, Inc. v. Forest River, Inc., 464 F.3d 725, 727 (7th Cir. 2006), and ordinarily, defenses will not be stricken if they are sufficient as a matter of law or if they present questions of law or fact. Heller Financial, Inc. v. Midwhey Powder Co., 883 F.2d 1286, 1294 (7th Cir. 1989). As discussed above, defendant has stated a claim of inequitable conduct, the details of which it sets forth in sufficient detail in its second counterclaim. Therefore, plaintiff's motion to strike defendant's fourth affirmative defense will be denied.

Finally, in the alternative, plaintiff requests that defendant be required to submit a more definite statement pursuant to Rule 12(e), which provides that the court may require a party to provide a more definite statement if its pleading is so vague or ambiguous that the other party is unable to frame its responsive pleading. For the reasons discussed in greater detail above, I find that defendant's inequitable conduct counterclaim is neither vague nor ambiguous; no further clarification is necessary for plaintiff to formulate its response. Plaintiff's motion for a more definite statement will be denied.

ORDER

IT IS ORDERED that plaintiff Silicon Graphics, Inc.'s "Motion to Dismiss or Strike Counterclaims and Affirmative Defenses of Inequitable Conduct Pursuant to Fed. R. Civ. P. 12(b)(6), 12(f) and 9(b), or in the Alternative, for a More Definite Statement Pursuant to Fed. R. Civ. P. 12(e)" is DENIED.

Entered this 15th day of March, 2007.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge