

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. 01-14207-CIV-COHN

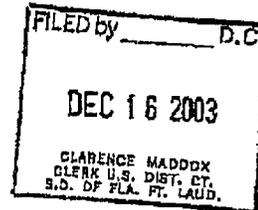
NORTHPOINT TECHNOLOGY, LTD.,

Plaintiff,

v.

MDS AMERICA, INC. and
MDS INTERNATIONAL, S.A.R.L.,

Defendants.



**FINDINGS OF FACT
AND CONCLUSIONS OF LAW REGARDING INEQUITABLE CONDUCT**

THIS CAUSE is before the Court upon request by Defendants MDS America, Inc. ("MDSA") and MDS International, S.A. ("MDSI") that U.S. Patent Nos. 5,761,605 (the '605 patent") and 6,169,878 (the '878 patent") be declared invalid due to inequitable conduct by Plaintiff Northpoint Technology, Ltd. ("Northpoint"). The trial of this cause was held from October 27, 2003 through November 4, 2003 during which time the parties were afforded the opportunity to present any evidence relating to the issue of inequitable conduct. The Court reserved ruling directing the parties to brief the issue and submit proposed findings of fact and conclusions of law. Upon consideration of the submissions of the parties and the evidence received at trial, the Court finds as follows.

FINDINGS OF FACT

Plaintiff Northpoint filed an amended complaint alleging that Defendants MDSA and MDSI infringed the '605 patent and the '878 patent. Defendants answered, denying infringement and asserting claims of invalidity and inequitable conduct. The '605 and '878 patents relate to an apparatus and method for providing terrestrial transmissions

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along with direct broadcast satellite transmissions using a common frequency to the same location at the same time.

Defendants contend that Plaintiff engaged in inequitable conduct described as follows. First, Plaintiff knew and failed to disclose prior co-existence of point-to-point terrestrial transmissions in the same frequency band with Direct Broadcast Satellite Transmissions. Second, Plaintiff failed to disclose to the Patent Office a publication entitled "recommendation ITU-RF-755-1. Third, Plaintiff misrepresented to the Patent Office the teachings of U.S. Patent No. 5,483,663 (the '663 patent"). Fourth, Plaintiff misrepresented to the Patent Office the state of the art with respect to directional antennas. Fifth, Northpoint inventors submitted a false affidavit stating that the inventions of the '605 and '878 patents were made before the invention of the '663 patent. Sixth, Plaintiff misled the patent examiner about interference mitigation factors. Seventh, Northpoint's CEO Sophia Collier submitted a false declaration that experts believed that DBS and terrestrial signals could not be simultaneously transmitted without interference. The Court makes the following findings of fact with respect to each of Defendants' allegations.

The application that issued as the '605 patent was allowed over the '663 patent of Saleem Tawil, a co-inventor of the '605 and '878 patents, in the first Office Action. The examiner found that the '663 patent fails to disclose receiving signals at the same frequency at the "first" (satellite) and "second" (terrestrial) receiving antennas. Instead the examiner found that the terrestrial antenna in the '663 patent receives signals at frequencies within a portion of the DBS spectrum withdrawn from use by the satellites and dedicated to terrestrial use, citing a passage at column 2, lines 15-21 of the '663 patent. PX186 at NTP2987172.

At trial, inventor Carmen Tawil testified that because the '663 antenna arrangement is connected to a single receiver that processes both incoming satellite signals and incoming terrestrial signals, those signals cannot be received simultaneously at the same frequencies. Tr. (Vol. 1) at 243-44, 246-49; Tr. (Vol. 2) at 73-76. Mrs. Tawil also explained that the only embodiment in the '663 patent that involves the same frequencies for satellite and terrestrial signals - and thus would not require withdrawing frequencies from the DBS band for the terrestrial signals -- is an arrangement wherein the antenna is moved so that it receives either the satellite signals or the terrestrial signals, but not both simultaneously. Tr. (Vol. 1) at 248-50; Tr. (Vol. 2) at 76.

The application for the '878 patent was initially rejected by the examiner as being obvious over the '663 patent in view of U.S. Patent No. 5,444,762 (Frey). See PX189 at NPT29942-44. With regard to the '663 patent, the examiner reiterated the position he stated in his reasons for allowance in the '605 prosecution - that the '663 patent did not disclose receiving satellite and terrestrial signals at the same frequency, citing the same passage in the '663 patent concerning withdrawal of part of the DBS band for terrestrial use. PX189 at NPT29942-44. The examiner repeated his finding that the '663 patent does not disclose simultaneous reception of terrestrial and satellite signals at the same frequency, and cited the passage concerning withdrawal of part of the DBS band for terrestrial use, in each of his rejections based on the '663 patent during prosecution of the '878 patent. PX189 at NTP2994045, NTP29989-95, NTP30023-25. The '663 patent describes withdrawal of part of the DBS band for terrestrial use in another passage, stating that "[a]lthough more or less of the DBS spectrum may be used for local channel signals,

approximately ten percent (10%) of the satellite broadcast frequency band will preferably be vacated for the converted local channel signals." PX170 at 2:53-56.

In response to the initial rejection, the Tawils submitted a Declaration in which they attested that the invention of the '878 patent had been conceived prior to that of the '663 patent, and argued that, therefore, the '663 patent was not prior art. PX189 at NPT29983-87. At trial, Mrs. Tawil affirmed that the statements in the Declaration were true. Tr. (Vol. 1) at 259, 262. The examiner held that the Declaration was insufficient to establish a prior date of conception because the Tawils testimony was not corroborated by evidence of disclosure to others or documentary evidence, and maintained the rejection over the '663 patent and Frey. PX189 at NPT29990-91.

In response, the Tawils submitted new claims and argued, among other things, that neither the '663 patent nor Frey discloses a directional transmitting antenna or transmitting terrestrial signals on the same frequency as satellite signals, as required by the new claims. PX189 at NTP30009-19. The '663 patent supports the argument that the terrestrial transmitting antenna disclosed therein transmits in all directions, and, therefore, is not directional, stating that transmitter 14 "can provide a suitable signal for approximately a ten-mile radius around the transmitter." PX170 at 4:52-54.

Information concerning the architecture of the DBS system, including the directional nature of the receiving antennas and the avoidance of satellite/satellite signal interference was disclosed to the PTO in the specification of the applications that issued as the '605 and '878 patents. For example, the specification of the '878 patent states that "[first, the receiving antenna must be limited to receive signals only within a certain reception range about the centerline of the antenna. Second, the satellites must be spaced

apart about the geosynchronous arc so that a receiving antenna may be positioned with only a single satellite transmitting in the directional reception range of the antenna." PX119 at 3:52-58. See also PX119 at 1:44-53, 3:59- 4:3; PXI 13 at 1:39-44, 3:47-67.

The examiner rejected the new claims as obvious over combinations of the '663 patent, Frey and a new reference, U.S. Patent No. 5,729,825 of Kotreski. PX189 at NTP3002526. In their response to these rejections, the Tawils amended claims, argued the merits of the examiner's obviousness rejections on various grounds, including that the references failed to suggest the combinations the examiner had made, and submitted two Declarations: a Declaration by Sophia Collier providing evidence regarding skepticism of experts, and a Declaration by Carmen Tawil providing evidence showing technical success of the claimed invention in spite of the skepticism. PX189 at NPT30070, 30076-78.

In her Declaration, Mrs. Tawil explained Northpoint's testing of the invention at Washington, DC, in which terrestrial transmissions and satellite transmissions were made at the same frequencies at the same time to the same location, in a manner that did not cause interference to either of the transmissions, and attached the entire report of the tests that was provided to the FCC. PX189 at NPT30080-85, NPT30138-223. Mrs. Tawil stated that "[t]he lack of interference with the DBS signals at the same frequency was made possible by transmitting the Terrestrial Signals only along routes outside of the directional reception range of the DBS receiving antennae as disclosed and claimed in the above-described patent application. Yet the Terrestrial Signals were received at the test sites through a directional receiving antenna aimed at the NPT transmitter." PX189 at NTP30084-85. Mrs. Tawil and Dr. Edward Miller testified at trial that transmission

parameters, such as power, were well-known to those skilled in the art. Tr. (Vol. 1) at 239; Tr. (Vol. 6) at 193-196, 199.

A document entitled "Recommendation ITU-R F.755-1" was cited within the report of the Washington tests attached to Mrs. Tawil's Declaration. PX189 at NTP30200-23. Defendants did not rely on Recommendation ITU-R F.755-1 as allegedly invalidating prior art at trial. Tr. (Vol. 6) at 284-89. See also Tr. (Vol. 5) at 7-11. The only evidence elicited at trial regarding the materiality of Recommendation ITU-R F.755-1 was the testimony of Mrs. Tawil, who testified that it had no relevance at all to the '605 or '878 patents. Tr. (Vol. 2) at 34-35, 37.

In her Declaration, Ms. Collier stated that "experts in the field of wireless communications" had consistently expressed the belief that if both fixed terrestrial transmissions and satellite transmissions were made at the same frequency to a common geographic area, these transmissions would interfere with one another. PX189 at NPT30086. In support of her declaration, Ms. Collier submitted excerpts from a multitude of publicly available documents, including FCC reports, supporting each of her statements. PX189 at NPT30098-137. Ms. Collier testified at trial that she believed her statements in her Declaration were completely accurate. Tr. (Vol. 3) at 99-100, 104-7.

After submission of the arguments directed to distinguishing the cited prior art and the Declarations of Mrs. Tawil and Ms. Collier, the examiner allowed the application for the '878 patent, finding that the prior art failed to disclose or make obvious the claimed invention. As his reasons for allowance, the examiner cited the Tawils' arguments in response to the rejections. PX189 at NTP30227-28.

The statement in the specifications of the '605 and '878 patents that the FCC "has dedicated" and "has set aside" the electromagnetic spectrum from 12.2 to 12.7 gigahertz for DBS broadcasting is accurate. PX 119 at 1:29-31. In 1983, the FCC allocated the band to DBS on a primary basis because "the fixed [microwave] services and the DBS services cannot use the same frequencies in a geographic area due to interference" and provided alternative frequencies for the existing point-to-point microwave services. PX202 at NTP30800. The FCC also provided that if a point-to-point microwave licensee did not change frequencies by 1988, it would have a secondary status with regard to DBS receivers. PX202 at NTP30810. The FCC in 2000 confirmed that "[a]11 private operational fixed point-to-point microwave stations in the 12.2 to 12.7 GHz band operate on a secondary basis to DBS , ... The Commission has allocated the 12.2-12.7 GHz band for use by the broadcasting-satellite service." PX 195 at NTP30431-32 n535.

There were about 10,000 point to point microwave links in the band as of the early 1980s, but by the time of trial the number had dwindled to around 370. Tr. (Vol. 6) at 3031. Information concerning the relatively few residual point-to-point microwave links in the 12.2 to 12.7 GHz band after the FCC's allocation of the band to DBS satellite use was not material to the prosecution of the '605 or '878 patents. See Tr. (Vol. 6) at 30-31. See also Tr. (Vol. 3) at 107-8. The Tawils' invention relates to frequency sharing at the same time and at the same location. Tr. (Vol. 6) at 33-34, 142-43; Tr. (Vol. 3) at 107-8. The same location limitation of the patents is central because the invention is addressed to the problem of interference, and if the terrestrial use is geographically remote from the satellite use, there is no problem for the invention to solve.

Dr. Miller testified that one could not receive DBS signals near such a terrestrial microwave relay system because of interference. Tr. (Vol. 6) at 177-78. Defendants' expert, Mr. Rubin acknowledged at trial that he had no information that any DBS receiving antenna is in the same location as a point-to-point microwave link even today. Tr. (Vol. 5) at 33-34. Residual point to point microwave links transmitting in the 12.2 to 12.7 GHz band do not engage in "frequency sharing" in the manner addressed by the '605 and '878 patents. Tr. (Vol. 1) at 229-231. The existence of these residual terrestrial services exemplifies coordination - keeping uses at the same frequency separated. Id. Mrs. Tawil testified that coordinated use is different from frequency sharing. Id.

Information concerning the residual point-to-point microwave links operating in the 12.2 to 12.7 GHz band after the FCC's allocation of the band to DBS satellites was provided to the PTO. For example, Ms. Collier's Declaration quoted a petition submitted by EchoStar, stating "[The Commission] made the decision in 1982 to relocate terrestrial microwave operations (except for a few grandfathered links), based on the recognition that terrestrial point-to-point licensees cannot share the spectrum with DBS providers." PX189 at NTP30094 (T14), NTP 30128-29 (Ex. U) (emphasis added).

No one associated with the prosecution of the '605 or '878 patents withheld any material information concerning MDSI's installations of Hypercable systems. There is no evidence in the record that anyone associated with the prosecution knew anything about MDSI's installations of Hypercable systems during the prosecution. Fabrice Ducasse admitted on cross-examination at trial that the MDSI web site did not contain or display

Information regarding frequency sharing using MDSI systems at the time that prosecution was occurring. Tr. (Vol. 5) at 18-21.

CONCLUSIONS OF LAW

A party alleging that an individual associated with the prosecution of a patent has committed inequitable conduct must establish, by clear and convincing evidence, that during prosecution that individual: (1) withheld material information or (2) submitted false material information to the United States Patent and Trademark Office ("PTO"). *Fiskars, Inc. v. Hunt Mfg. Co.*, 221 F.3d 1318, 1326 (Fed. Cir. 2000); *Kingsdown Med. Consultants Ltd. v. Hollister Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988) (en banc). The party alleging inequitable conduct must establish by clear and convincing evidence that the individual alleged to commit the inequitable conduct had an intent to deceive the PTO. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1181 (Fed. Cir. 1995).

A threshold level of materiality and intent must be satisfied before the court employs a balancing test regarding materiality and intent to determine whether "inequitable conduct" on the whole has occurred. *Life Tech., Inc. v. Clontech Labs., Inc.*, 224 F.3d 1320, 1324 (Fed. Cir. 2000); *Critikon, Inc. v. Beaton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997). Information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) it establishes, by itself or in combination with other information, a *prima facie* case of unpatentability, or (2) it refutes, or is inconsistent with, a position the applicant takes in (i) opposing an argument of unpatentability relied upon by the PTO or (ii) asserting an argument of patentability. 37 C.F.R. § 1.56(b) (1996); *Critikon*, 120 F.3d at 1257.

Intent to deceive the PTO cannot be presumed from a finding of materiality alone. *Therma-Tru Corp. v. Peachtree Doors Inc.*, 44 F.3d 988, 996 (Fed. Cir. 1995) ("[Defendant] refers to no evidence whatsoever of intent to deceive or mislead, but argues that intent to deceive or mislead should be inferred from the fact that certain information was not provided to the examiner. That theory of inferential culpability was definitively laid to rest in *Kingsdown*, wherein this court *en banc* held that invalidity for inequitable conduct requires a showing, by clear and convincing evidence, of intent to deceive or mislead the patent examiner into granting the patent.") (citing *Kingsdown*, 863 F.2d at 876) (emphasis added).

At a minimum, the evidence must be clear and convincing that the information is highly material and that the individual knew or should have known of the materiality before intent to deceive can be inferred. *Critikon*, 120 F.3d at 1257. Although intent need not be proven by direct evidence, there must still be clear and convincing evidence of some factual basis to support a finding of intent. See *Fiskars*, 221 F.3d at 1327-28; *Molins*, 48 F.3d at 1181.

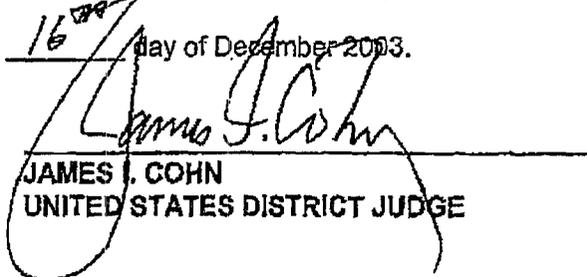
Statements concerning the contents of a prior art reference cannot constitute a material omission or misrepresentation where the patent examiner has the reference and is free to reach his own conclusion regarding its contents. *Akzo N.V. v. US. Int'l Trade Comm'n*, 808 F.2d 1471, 1482 (Fed. Cir. 1986). See also *Life Tech.*, 224 F.3d at 1326 ("the inventors merely advocated a particular interpretation of the teaching of the Johnson article and the level of skill in the art, which the examiner was free to accept or reject"); *Gargoyles Inc. v. United States*, 33 U.S.P.Q.2d 1595, 1605 (Fed. Cl. 1994). See also *Beckman*

Instruments, Inc. v. LKB Produkter, AB, 5 U.S.P.Q.2d 1462, 1464 (D. Md. 1987) ("The patent examiner was capable of independently evaluating the material before him, and [the applicant's] representations as to how to interpret that material cannot be the basis for a finding of inequitable conduct.").

Defendant has failed to establish by clear and convincing evidence that anyone associated with the prosecution of the '605 or '878 patents misrepresented any material information or fact or failed to disclose any material information or fact during prosecution; or, that anyone associated with the prosecution of the '605 or '878 patents had any intent to deceive the PTO during prosecution of the '605 or '878 patents. Accordingly, it is

ORDERED AND ADJUDGED that Defendants' request that Patent '605 and '878 be declared invalid on the grounds of inequitable conduct is hereby **DENIED**.

DONE AND ORDER this 16th day of December 2003.



JAMES J. COHN
UNITED STATES DISTRICT JUDGE

cc: Barry S. Richard
Mark Supko
Walter E. Hanley
Janet T. Munn
James H. Laughlin