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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN JOSE DIVISION

UPEK, INC., a Delaware corporation,

 Plaintiff,

 v.

 AUTHENTEC, INC., a Delaware corporation,

 Defendant.

Case No. 10-cv-00424 JF (PVT)

**SECOND AMENDED COMPLAINT
 FOR PATENT INFRINGEMENT AND
 DECLARATORY JUDGMENT OF
 NON-INFRINGEMENT AND PATENT
 INVALIDITY AND
 UNENFORCEABILITY**

DEMAND FOR JURY TRIAL

AUTHENTEC, INC., a Delaware corporation,

 Counter-claimant,

 v.

 UPEK, INC., a Delaware corporation,

 Counter-defendant.

1 Plaintiff UPEK, Inc. (“UPEK”) alleges the following in support of its Second Amended
2 Complaint for Patent Infringement and Demand For Jury Trial against defendant AuthenTec, Inc.
3 (“AuthenTec”).

4 **PARTIES**

5 1. UPEK is a Delaware corporation having a principle place of business at 5900
6 Christie Avenue, Emeryville, CA 94608.

7 2. On information and belief, AuthenTec is a Delaware corporation having a
8 principle place of business at 100 Rialto Place, Suite 100, Melbourne, Florida 32901.

9 **JURISDICTION**

10 3. This infringement action arises under the patent laws of the United States, Title 35,
11 United States Code. This is also an action for declaratory relief brought pursuant to the
12 Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202. This Court has subject matter
13 jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1338(a).

14 4. This Court has personal jurisdiction over AuthenTec because AuthenTec
15 manufactures, assembles, uses, offers for sale and/or sells biometric products, systems and
16 devices, including fingerprint sensors (referred to as “the Accused AuthenTec Products”). Upon
17 information and belief, the Accused AuthenTec Products are made, used, offered for sale and/or
18 sold in the United States, including in the State of California. In addition, AuthenTec has availed
19 itself of this Court to file its own patent infringement litigation.

20 **VENUE**

21 5. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391(b)-(c) and 1400(b).
22 Plaintiff UPEK is a Delaware corporation with a principal place of business in Emeryville,
23 California, which is in the Northern District of California. AuthenTec has minimum contacts
24 with the Northern District of California such that this venue is fair and reasonable. On
25 information and belief, AuthenTec has committed purposeful acts or transactions in the State of
26 California such that it reasonably knew and expected that it could be brought into a California
27 court as a consequence of such activity. Further, on information and belief, AuthenTec has
28

committed acts of infringement in the Northern District of California. Accordingly, venue in the Northern District of California is proper under 28 U.S.C. §§1391(b), 1400(b).

COUNT I

(Infringement of United States Patent No. 6,028,773)

6. Paragraphs 1-5 of the Second Amended Complaint as set forth above are incorporated herein by reference.

7. On February 22, 2000, United States Patent No. 6,028,773 (“the ‘773 patent”) entitled “Packing For Silicon Sensors” was duly and legally issued to Michael J. Hundt. UPEK is the owner of all right, title and interest to the ‘773 patent by virtue of assignment. A copy of the ‘773 patent is attached hereto as Exhibit A and made a part hereof.

8. Upon information and belief, AuthenTec has infringed and continues to infringe the ‘773 patent under 35 U.S.C. § 271. The infringing acts include, but are not limited to, making, using, importing, selling and offering for sale in the United States biometric products, systems and devices, including fingerprint sensors, that are covered by one or more claims of the ‘773 patent. The Accused AuthenTec Products include but are not limited to the AES1710, AES2550 and AES2810. AuthenTec has been performing these acts without authorization from UPEK.

9. AuthenTec’s acts of infringement have caused damage to UPEK in an amount subject to proof at trial. Under 35 U.S.C. § 284, UPEK is entitled to recover from AuthenTec the damages sustained by UPEK as a result of AuthenTec’s infringement of the ‘773 patent. AuthenTec’s infringement of UPEK’s exclusive rights under the ‘773 patent will continue to damage UPEK’s business, causing it irreparable harm, for which there is no adequate remedy at law, unless enjoined by this Court under 35 U.S.C. § 283.

10. Upon information and belief, AuthenTec’s infringement of the ‘773 patent has been willful and deliberate, given AuthenTec’s knowledge of the patent and its reckless disregard of the possibility that its conduct was infringing, and entitles UPEK to increased damages under 35 U.S.C. § 284.

COUNT II**(Infringement of United States Patent No. 6,555,888)**

11. Paragraphs 1-10 of the Second Amended Complaint as set forth above are incorporated herein by reference.

12. On April 29, 2003, United States Patent No. 6,555,888 (“the ‘888 patent”) entitled “Electrostatic Discharge Protection for Sensors” was duly and legally issued to Arnaud Yves Lepert and Danielle A. Thomas. UPEK is the owner of all right, title and interest to the ‘888 patent by virtue of assignment. A copy of the ‘888 patent is attached hereto as Exhibit B and made a part hereof.

13. Upon information and belief, AuthenTec has infringed and continues to infringe the ‘888 patent under 35 U.S.C. § 271. The infringing acts include, but are not limited to, making, using, importing, selling and offering for sale in the United States biometric products, systems and devices, including fingerprint sensors, that are covered by one or more claims of the ‘888 patent. The Accused AuthenTec Products include but are not limited to the AES1610. AuthenTec has been performing these acts without authorization from UPEK.

14. AuthenTec’s acts of infringement have caused damage to UPEK in an amount subject to proof at trial. Under 35 U.S.C. § 284, UPEK is entitled to recover from AuthenTec the damages sustained by UPEK as a result of AuthenTec’s infringement of the ‘888 patent. AuthenTec’s infringement of UPEK’s exclusive rights under the ‘888 patent will continue to damage UPEK’s business, causing it irreparable harm, for which there is no adequate remedy at law, unless enjoined by this Court under 35 U.S.C. § 283.

15. Upon information and belief, AuthenTec’s infringement of the ‘888 patent has been willful and deliberate, given AuthenTec’s knowledge of the patent and its reckless disregard of the possibility that its conduct was infringing, and entitles UPEK to increased damages under 35 U.S.C. § 284.

COUNT III**(Infringement of United States Patent No. 6,440,814)**

16. Paragraphs 1-15 of the Second Amended Complaint as set forth above are incorporated herein by reference.

17. On August 27, 2002, United States Patent No. 6,440,814 (“the ‘814 patent”) entitled “Electrostatic Discharge Protection for Sensors” was duly and legally issued to Arnaud Yves Lepert and Danielle A. Thomas. UPEK is the owner of all right, title and interest to the ‘814 patent by virtue of assignment. A copy of the ‘814 patent is attached hereto as Exhibit C and made a part hereof.

18. Upon information and belief, AuthenTec has infringed and continues to infringe the ‘814 patent under 35 U.S.C. § 271. The infringing acts include, but are not limited to, making, using, importing, selling and offering for sale in the United States biometric products, systems and devices, including fingerprint sensors, that are covered by one or more claims of the ‘814 patent. The Accused AuthenTec Products include but are not limited to the AES1610. AuthenTec has been performing these acts without authorization from UPEK.

19. AuthenTec’s acts of infringement have caused damage to UPEK in an amount subject to proof at trial. Under 35 U.S.C. § 284, UPEK is entitled to recover from AuthenTec the damages sustained by UPEK as a result of AuthenTec’s infringement of the ‘814 patent. AuthenTec’s infringement of UPEK’s exclusive rights under the ‘814 patent will continue to damage UPEK’s business, causing it irreparable harm, for which there is no adequate remedy at law, unless enjoined by this Court under 35 U.S.C. § 283.

20. Upon information and belief, AuthenTec’s infringement of the ‘814 patent has been willful and deliberate, given AuthenTec’s knowledge of the patent and its reckless disregard of the possibility that its conduct was infringing, and entitles UPEK to increased damages under 35 U.S.C. § 284.

COUNT IV**(Infringement of United States Patent No. 6,661,631)**

21. Paragraphs 1-20 of the Second Amended Complaint as set forth above are incorporated herein by reference.

22. On December 9, 2003, United States Patent No. 6,661,631 (“the ‘631 patent”) entitled “Automatic Latchup Recovery Circuit for Fingerprint Sensor” was duly and legally issued to James Chester Meador, Giovanni Gozzini, and Marco Sabatini. UPEK is the owner of all right, title and interest to the ‘631 patent by virtue of assignment. A copy of the ‘631 patent is attached hereto as Exhibit D and made a part hereof.

23. Upon information and belief, AuthenTec has directly, indirectly, contributorily and/or by inducement infringed and continues to infringe the ‘631 patent under 35 U.S.C. § 271. The infringing acts include, but are not limited to, making, using, importing, selling and offering for sale in the United States biometric products, systems and devices, including fingerprint sensors, that are covered by one or more claims of the ‘631 patent. The infringing acts also include, but are not limited to, AuthenTec’s knowledge of infringement and a lack of substantial noninfringing uses for mechanisms, products, processes and methods claimed in the ‘631 patent, as well as direct infringement and specific intent to encourage such infringement. The Accused AuthenTec Products include but are not limited to the AES2810. AuthenTec has been performing these acts without authorization from UPEK.

24. AuthenTec’s acts of infringement have caused damage to UPEK in an amount subject to proof at trial. Under 35 U.S.C. § 284, UPEK is entitled to recover from AuthenTec the damages sustained by UPEK as a result of AuthenTec’s infringement of the ‘631 patent. AuthenTec’s infringement of UPEK’s exclusive rights under the ‘631 patent will continue to damage UPEK’s business, causing it irreparable harm, for which there is no adequate remedy at law, unless enjoined by this Court under 35 U.S.C. § 283.

25. Upon information and belief, AuthenTec’s infringement of the ‘631 patent has been willful and deliberate, given AuthenTec’s knowledge of the patent and its reckless disregard

1 of the possibility that its conduct was infringing, and entitles UPEK to increased damages under
2 35 U.S.C. § 284.

3 COUNT V

4 (Declaratory Judgment of Non-infringement of U.S. Patent No. 5,940,526)

5 26. Paragraphs 1-25 of the Second Amended Complaint as set forth above are
6 incorporated herein by reference.

7 27. Pursuant to a letter dated January 23, 2010, AuthenTec implies that it is the owner
8 of United States Patent No. 5,940,526 (“the ‘526 patent”). A copy of the ‘526 patent is attached
9 hereto as Exhibit E. In its January 23, 2010 letter, AuthenTec accuses UPEK of infringing the
10 ‘526 patent. UPEK denies that any of its products infringes or has infringed any valid claim of
11 the ‘526 patent directly, indirectly, contributorily, or otherwise.

12 28. Accordingly, UPEK seeks a Declaratory Judgment from this Court pursuant to
13 Federal Rule of Civil Procedure 57 and 28 U.S.C. §§ 2201 and 2202, that the ‘526 patent is not
14 infringed by UPEK.

15 29. A judicial declaration is necessary and appropriate at this time so that UPEK may
16 ascertain its rights and duties with respect to the manufacture and sale of its products that
17 AuthenTec has alleged infringes the ‘526 patent.

18 COUNT VI

19 (Declaratory Judgment of Invalidity of U.S. Patent No. 5,940,526)

20 30. Paragraphs 1-29 of the Second Amended Complaint as set forth above are
21 incorporated herein by reference.

22 31. UPEK contends that the ‘526 patent is invalid for failure to comply with the patent
23 laws of the United States, including, without limitation, the provisions of 35 U.S.C. §§ 101, 102,
24 103, and 112.

25 32. Accordingly, UPEK seeks a declaratory judgment that the ‘526 patent is invalid
26 for failure to comply with the patent laws of the United States, including, without limitation, the
27 provisions of 35 U.S.C. §§ 101, 102, 103 and 112.
28

COUNT VII

6 34. Paragraphs 1-33 of the Second Amended Complaint as set forth above are
7 incorporated herein by reference.

3 36. Accordingly, UPEK seeks a Declaratory Judgment from this Court pursuant to
4 Federal Rule of Civil Procedure 57 and 28 U.S.C. §§ 2201 and 2202, that the ‘441 patent is not
5 infringed by UPEK.

COUNT VIII

38. Paragraphs 1-37 of the Second Amended Complaint as set forth above are
incorporated herein by reference.

40. Accordingly, UPEK seeks a declaratory judgment that the ‘441 patent is invalid for failure to comply with the patent laws of the United States, including, without limitation, the provisions of 35 U.S.C. §§ 101, 102, 103 and 112.

49. A judicial declaration is necessary and appropriate at this time so that UPEK may ascertain its rights and duties with respect to the manufacture and sale of its products that AuthenTec has alleged infringes the '620 patent.

COUNT XI

(Unenforceability of U.S. Patent No. 6,049,620 Due To Inequitable Conduct)

50. Paragraphs 1-49 of the Second Amended Complaint as set forth above are incorporated herein by reference.

51. The '620 patent is unenforceable due to inequitable conduct by AuthenTec, Inc., Christopher F. Regan of the law firm Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA, and Jeremy Coles.

52. Pursuant to Section 41 of Chapter 35 of the United States Code, the United States Patent and Trademark Office ("USPTO") must charge fees for "maintaining in force" issued patents. These fees are commonly referred to as maintenance fees. Under the statute, there are three maintenance fees due on each issued utility patent. The second of such maintenance fees is due seven years and six months after grant of the patent. 35 U.S.C. § 41(b)(2). If a maintenance fee is not paid when it becomes due or within the statutory six month grace period, "the patent will expire as of the end of such grace period." *Id.*

53. Section 41(c)(1) of Chapter 35 of the United States Code limits the authority of the Director of the USPTO ("the Director") to accept a late maintenance fee, *i.e.*, a maintenance fee payment made after the end of the six month grace period, to only those instances where one of two specific showings has been made. Under the first showing, the Director can accept a late maintenance fee payment made within twenty-four months of the end of the grace period, but only if the delay is shown to have been "unintentional." *See* 35 U.S.C. § 41(c)(1). Under the second showing, the Director can accept a late maintenance fee payment made at anytime after the end of the grace period, but only if the delay is shown to have been "unavoidable." *Id.*

54. The USPTO, based on Chapter 35 of the United States Code and the legislative history of Section 41 of that code, promulgated rules and regulations governing what types of actions qualify as an "unintentional" abandonment. The rules governing whether abandonment of

1 a patent for failure to pay a maintenance fee are found in the Manual of Patent Examining
 2 Procedure (“MPEP”). The standard for whether a patent has been abandoned is also provided in
 3 the MPEP:

4 The legislative history of Public Law 97-247, § 3, 96 Stat. 317
 5 (1982), reveals that the purpose of 35 U.S.C. 41(a)(7) is to permit
 6 the Office to have more discretion than in 35 U.S.C. 133 or 151 to
 7 revive abandoned applications in appropriate circumstances, but
 8 places a limit on this discretion stating that “[u]nder this section a
 9 petition accompanied by [the requisite fee] would not be granted
 10 where the abandonment or the failure to pay the fee for issuing the
 11 patent was intentional as opposed to being unintentional or
 12 unavoidable.” H.R. Rep. No. 542, 97th Cong., 2d Sess. 6-7 (1982),
 13 *reprinted in* 1982 U.S.C.C.A.N. 770-71. **A delay resulting from a**
 14 **deliberately chosen course of action on the part of the applicant**
 15 **is not an “unintentional” delay within the meaning of 37 CFR**
 16 **1.137(b).**

17 MPEP §711.03(c) (emphasis added).

18 55. The MPEP also provides examples of “chosen courses of action” by patent owners
 19 seeking revival that are considered deliberate or otherwise not satisfying the “unintentional” delay
 20 standard that triggers the USPTO’s discretion to revive abandoned patents. In particular, the
 21 MPEP identifies the following as chosen courses of action preventing a patent owner from
 22 seeking revival of an abandoned patent:

23 A delay resulting from a deliberately chosen course of action on the
 24 part of the applicant does not become an “unintentional” delay
 25 within the meaning of 37 CFR 1.137(b) because:

26 ***

27 (C) the applicant does not consider any patent to be of sufficient
 28 value to justify the financial expense of obtaining the patent;

(D) the applicant does not consider any patent to be of sufficient
 value to maintain an interest in obtaining the patent; or

(E) the applicant remains interested in eventually obtaining a
 patent, but simply seeks to defer patent fees and patent prosecution
 expenses.

Likewise, a change in circumstances that occurred subsequent to
 the abandonment of an application does not render “unintentional”
 the delay resulting from a previous deliberate decision to permit an
 application to be abandoned. These matters simply confuse the
 question of whether there was a deliberate decision not to continue
 the prosecution of an application with why there was a deliberate
 decision not to continue the prosecution of an application.

1 MPEP §711.03(c).

2 56. Despite the existence of clear rules, the USPTO does not require the owner of an
3 abandoned patent to prove that the abandoned patent was unintentionally abandoned. Instead, the
4 USPTO allows a patent owner seeking revival of an abandoned patent to file a petition with the
5 USPTO in which the patent owner can simply state that the entire delay in filing a petition to
6 revive was unintentional. The USPTO relies on the patent owner's duty of candor and good faith
7 since all persons involved in the patent process are required to investigate all facts and
8 circumstances underlying petitions to revive filed with the USPTO:

9 While the Office reserves the authority to require further
10 information concerning the cause of abandonment and delay in
11 filing a petition to revive, **the Office relies upon the applicant's**
12 **duty of candor and good faith** and accepts the statement that "the
13 entire delay in filing the required reply from the due date for the
14 reply until the filing of a grantable petition pursuant to 37 CFR
15 1.137(b) was unintentional" without requiring further information
16 in the vast majority of petitions under 37 CFR 1.137(b). **This is**
17 **because the applicant is obligated under 37 CFR 10.18 to**
18 **inquire into the underlying facts and circumstances when a**
19 **practitioner provides this statement to the Office.** In addition,
20 providing an inappropriate statement in a petition under 37 CFR
21 1.137(b) to revive an abandoned application may have an adverse
22 effect when attempting to enforce any patent resulting from the
23 application. See *Lumenyte Int'l Corp. v. Cable Lite Corp.*, Nos. 96-
24 1011, 96-1077, 1996 U.S. App. LEXIS 16400, 1996 WL 383927
25 (Fed. Cir. July 9, 1996)(unpublished)(patents held unenforceable
26 due to a finding of inequitable conduct in submitting an
27 inappropriate statement that the abandonment was unintentional).

28 MPEP §711.03(c) (emphasis added).

Expiration Of The '620 Patent

21 57. The '620 patent issued on April 11, 2000. See Exhibit G.

22 58. The second maintenance fee for the '620 patent was due no later than April 11,
23 2008.

24 59. On information and belief, Veridicom International has alleged that it was the
25 owner of the '620 patent on April 11, 2008.

26 60. Veridicom International deliberately chose not to pay the second maintenance fee
27 for the '620 patent when it was due. Veridicom International possessed no cash as of April 11,
28 2008 and, regardless, was under instructions from various investors who controlled the financing

1 of the company not to pay any maintenance fees to maintain any of Veridicom International's
2 patents. These investors included The N.I.R. Group, LLC and Whalehaven Capital LP.

3 61. The '620 patent lapsed on April 11, 2008 for failure to pay the required
4 maintenance fee.

5 62. Information regarding that status of patents, including whether maintenance fees
6 are due or have been paid, is readily available to anyone through the USPTO's website. Thus the
7 fact that the '620 patent went abandoned on April 11, 2008 for failure to pay the required
8 maintenance fee was available to Veridicom International, as well any potential buyers (*e.g.*,
9 AuthenTec) of the '620 patent.

10 **Veridicom International's Attempts To Sell The '620 Patent**

11 63. In February 2008, Dan Stryker, the CEO of Veridicom International, contacted
12 Alan Kramer, the then CEO of UPEK. During those discussions in February 2008, Mr. Stryker
13 offered to sell patents allegedly owned by Veridicom International to UPEK. During discussions
14 regarding the potential sale of Veridicom International's patent portfolio, Mr. Stryker told Mr.
15 Kramer that certain patents had fees due, that Veridicom International had no cash and was
16 therefore unable to pay any of these fees, and that in any event, Veridicom International's
17 investors would not provide the funding that would allow Veridicom International pay to any of
18 the maintenance fees that were required to maintain in force any of Veridicom International's
19 patents.

20 64. Thereafter, on April 28, 2008, Jeremy Coles, a member of the Board of Directors
21 of Veridicom International, approached UPEK about purchasing Veridicom International's patent
22 portfolio (and other assets). During at least one conversation between Mr. Coles and Mr. Kramer
23 about this offer to sell, Mr. Coles indicated that a number of the patents Veridicom International
24 was offering for sale had been abandoned due to failure to pay maintenance fees in the United
25 States and abroad. During Mr. Coles' discussions with UPEK about the possible sale of
26 Veridicom International's intellectual property assets, Mr. Coles also mentioned that Veridicom
27 International was attempting to sell its patent portfolio to AuthenTec, and further indicated that
28

1 AuthenTec had offered in the neighborhood of \$310,00.00 to purchase the Veridicom patent
2 portfolio, including that lapsed '620 patent.

3 65. At approximately the same time Mr. Coles was offering the Veridicom
4 International patent portfolio for sale to UPEK, he was also offering to sell the Veridicom
5 International patent portfolio to AuthenTec. On information and belief, at some time between
6 May and August 2008, a tentative agreement was reached between Veridicom International and
7 AuthenTec because a due diligence process had apparently been initiated. As part of that
8 apparent due diligence process, Mr. Coles sent emails to attorneys in the legal department at ST
9 Microelectronics ("STM") asking for a copy of an agreement between STM and Veridicom, Inc.
10 relating to certain of Veridicom, Inc's patents. Veridicom International asserts that Veridicom,
11 Inc. is a predecessor to Veridicom International.

12 66. UPEK was spun out of STM in 2004. Thus, any party, and especially AuthenTec,
13 performing due diligence on the patents Veridicom International was selling would want to know
14 which of those patents had been licensed to STM since STM would have sublicensed or
15 transferred the licenses on those same patents to UPEK when STM spun out UPEK into a
16 separate company. One of the emails Mr. Coles sent to STM was sent to Nainesh Shah at STM
17 on July 30, 2008. In his July 30, 2008 email, Mr. Coles states that a "Chris Reagan" suggested
18 that Mr. Coles contact Mr. Shah regarding STM's contract with Veridicom, Inc. At that time,
19 AuthenTec was represented by a "Chris Regan" of the law firm Allen, Dyer, Doppelt, Milbrath &
20 Gilchrist, PA. Mr. Regan's biography on Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA's
21 website indicates that AuthenTec is one of his clients. *See* Exhibit H. This same biography also
22 lists STM as one of Mr. Regan's clients, meaning that, on information and belief, Mr. Regan
23 would know who to contact at STM in an attempt to determine STM's interests in the Veridicom,
24 Inc. patent portfolio. On information and belief, Mr. Regan was involved in the due diligence
25 AuthenTec was performing on the Veridicom International patent portfolio. On July 30, 2008,
26 the '620 patent already had lapsed for failure to pay the second maintenance fee, a fact, on
27 information and belief, Mr. Regan learned during that due diligence process.

Veridicom International's Contract With UPEK

67. On September 24, 2008, Mr. Stryker, Veridicom International's CEO, sent a draft Patent Purchase Agreement to Mr. Kramer in the hopes that UPEK would buy the Veridicom International patent portfolio, including the lapsed '620 patent. *See* Exhibit I hereto. The draft agreement Mr. Stryker sent to Mr. Kramer was drafted such that Veridicom International was the seller and AuthenTec was the buyer, and stated an Effective Date of August 24, 2008. On information and belief, AuthenTec had seen this draft Patent Purchase Agreement prior to Mr. Stryker's transmission of the draft to Mr. Kramer on September 24, 2008.

68. The draft Patent Purchase Agreement Veridicom International provided to UPEK on September 24, 2008, and which, on information and belief, had also been seen by AuthenTec, specifically stated that patents being sold as part of the transaction had been abandoned by Veridicom International for failure to pay maintenance fees. Thus, at least as early as September 2008 (and almost certainly earlier), Veridicom International, Mr. Coles, and AuthenTec knew that patents being sold by Veridicom International had been abandoned for failure to pay maintenance fees.

69. Mr. Stryker and Mr. Kramer subsequently were able to reach an agreement whereby UPEK would acquire the Veridicom International patent portfolio. This agreement was executed on October 4, 2008. *See* Exhibit J. As seen in Section 3.4(b) of this agreement, the purchase price was to be reduced by \$25,000.00 for each US Patent that had gone abandoned for, *inter alia*, failure to pay maintenance fees. In particular, the contract stated:

Prior to the Closing Date, any of the United States Patents that were abandoned by Seller for failure to pay maintenance fees, or otherwise abandoned for failure to respond to an office action or other requirement of a patent office, will be considered abandoned ("***Abandoned US Patents***"). The amount of the Purchase Price that Purchaser shall pay pursuant to Section 3.4(a) shall be reduced by Twenty-Five Thousand dollars (\$25,000.00) for each one of the Abandoned US Patents. Seller shall use best efforts to revive the issued Abandoned US Patents and, at Buyer's request, any of the Abandoned US Patents that have not issued, using counsel of Buyer's choosing and at Buyer's expense. After the Closing, Seller shall deliver the original notice of revival to Purchaser within fifteen (15) calendar days after any Abandoned US Patent is revived. After the Closing, Purchaser shall pay to Seller, within fifteen (15) calendar days following Seller's delivery of such

1 revival notice, Ten Thousand dollars (\$10,000.00) for each such
2 Abandoned US Patent that has been revived.

3 Exhibit J (emphasis in original).

4 70. The contract language in Section 3.4(b) was very important to UPEK, as UPEK's
5 intention was to draft any petitions to revive the abandoned patents to include all the facts of each
6 patent's abandonment, including the fact that Veridicom International knew that the patents,
7 including the '620 patent, had been deliberately abandoned due to Veridicom International's
8 financial condition and the fact that Veridicom International's investors would not provide any
9 funding to allow Veridicom International to pay any of the maintenance fees. UPEK also would
10 have explained why Veridicom International delayed filing the petitions with the PTO in spite of
11 the fact they had know for a long time that patents had been abandoned. While providing these
12 facts almost certainly would have led to denial of the petitions to revive, UPEK had built in
13 safeguards into the contract, namely the \$25,000.00 price reduction for each abandoned patent,
14 with a \$10,000.00 payment to Veridicom International should a truthful petition to revive be
15 granted. One of the reasons there was a price differential between the price reduction for
16 abandoned patents and the payment to be made should a patent be revived was the cost estimated
17 to prepare truthful petitions to revive that contained all of the facts surrounding the abandonment
18 of each of the abandoned patents.

19 71. The UPEK-Veridicom International agreement also had certain closing conditions.
20 Some of these closing conditions related to getting certain liens on the patents withdrawn and also
21 making sure a representation and warranty that Veridicom International actually owned the
22 patents it was selling was true.

23 72. Veridicom International was never able to meet the closing conditions of the
24 UPEK-Veridicom International Agreement because it was never able to obtain documentation
25 proving that Veridicom International actually owned the patents. Thus, at some point, Veridicom
26 International ceased contact with UPEK. The contract between UPEK and Veridicom
27 International could be terminated by either party if the closing conditions were not met, although
28 neither party ever gave the other notice of termination.

AuthenTec's Purchase Of The Lapsed '620 Patent

73. On May 11, 2009, over a year after the '620 patent went abandoned for failure to pay the second maintenance fee, over a year after Veridicom International first approached both AuthenTec and UPEK about buying the Veridicom International patent portfolio, and nearly seven months after Veridicom International and UPEK signed their agreement, Veridicom International's Jeremy Coles once again contacted UPEK's Alan Kramer about buying Veridicom International's patent portfolio. During telephone calls with Mr. Kramer, on or after May 20, 2009, Mr. Coles indicated that he had continued to offer the Veridicom International patent portfolio to AuthenTec and UPEK and was concurrently negotiating such a potential sale to AuthenTec.

74. In these telephone calls and in a subsequent follow-up email requested by Mr. Coles and sent by Mr. Kramer on May 21, 2009, the fact that certain of the Veridicom patents had gone abandoned and that any agreement by UPEK to purchase these patents would need to include as a closing condition efforts on the part of Veridicom International to revive certain of the abandoned patents "to the extent that they can be revived" was discussed. In at least one of these telephone calls, Mr. Kramer explained to Mr. Coles why UPEK had drafted Section 3.4(b) of the contract, that UPEK would require that any attempt to revive any of the abandoned patents would have to provide all the facts surrounding each patent's abandonment to the USPTO, and that the payment of \$10,000.00 for any abandoned patent would not be made until that specific abandoned patent had been successfully and legally revived through the USPTO. Mr. Coles would not agree to such a requirement, and in fact cut off communication with UPEK when it was clear UPEK would require petitions to comply with the PTO's duty of candor requirements.

75. On or about July 7, 2009, Veridicom International sold its patent portfolio, including the abandoned '620 patent, to AuthenTec. On information and belief, Veridicom International sold and AuthenTec purchased the '620 patent despite the fact that both had known for at least a year that the '620 patent had been abandoned for failure to pay the second maintenance fee.

AuthenTec's Revival Of The Abandoned '620 Patent

76. On information and belief, despite knowing that the '620 patent had been abandoned since April 11, 2008, neither Veridicom International, Jeremy Coles nor AuthenTec made any attempt to revive it until after the '620 patent had been sold.

77. On July 15, 2009, Jeremy Coles executed a Petition To Reinstate An Expired Patent Under 37 C.F.R. 1.378(c) ("Petition To Revive"). See Exhibit K. This Petition To Revive was prepared by the law firm of Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA. At least Christopher F. Regan of Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA was involved in drafting the Petition To Revive. Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA represents AuthenTec. Mr. Regan's biography on Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA's website indicates that AuthenTec is one of his clients. See Exhibit H.

78. The Petition To Revive prepared by AuthenTec's law firm and executed by Mr. Coles included the following statement:

This petition is made pursuant to 37 CFR § 3.78(c) on the grounds that the **delay in paying the maintenance fee which resulted in the expiration of the patent was unintentional.**

Exhibit K (emphasis added).

79. The Petition To Revive prepared by AuthenTec's law firm and executed by Mr. Coles also included the following statement:

In support of this Petition to Reinstate the '620 patent, Petitioner states, according to 37 CFR § 1.787(c) as follows:

The delay in payment of the maintenance fee was unintentional...

Exhibit K (emphasis added).

80. Finally, the Petition to Revive that was prepared by AuthenTec's law firm and executed by Mr. Coles concluded with the following statement:

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under

1 Section 1001 of Title 18 of the United States Code and that such
2 willful false statements may jeopardize the validity of the
3 application or any patent issued thereon.

4 Exhibit K (emphasis added).

5 81. Despite the fact that Mr. Coles and AuthenTec knew long before July 15, 2009
6 that the '620 patent had been abandoned because of Veridicom International's intentional
7 decision not to pay the second maintenance fee, none of the facts concerning Veridicom
8 International's, Mr. Coles' and/or AuthenTec's knowledge about the abandonment of the '620
9 patent, including knowledge of (i) when the '620 patent went abandoned, (ii) why the
10 maintenance fee was not timely paid, or (iii) the reasons why an attempt to revive the '620 patent
11 was delayed for such a long period of time, were provided to the USPTO for it to consider when
12 evaluating the July 15, 2009 Petition To Revive.

13 82. The reason for the July 15, 2009 Petition to Revive did not disclose any of this
14 information is that Veridicom International, Mr. Coles and/or AuthenTec (i) knew long before
15 July 15, 2009 that the maintenance fee for the '620 patent due on April 11, 2008 had not been
16 paid, (ii) knew that Veridicom International had had no intention of paying such maintenance fee
17 at the time it was due, (iii) that Veridicom International had had no intention of reviving the
18 abandoned '620 patent unless and until the '620 patent could be sold, and (iv) that Veridicom
19 International had told AuthenTec and others it approached in trying to sell its patent portfolio that
20 it had let the '620 patent lapse deliberately.

21 83. On information and belief, Mr. Regan (and perhaps others) at Allen, Dyer,
22 Doppelt, Milbrath & Gilchrist, PA knew long before July 15, 2009 that the '620 patent had been
23 abandoned for failing to pay the second maintenance fee. On information and belief, Mr. Regan
24 (and perhaps others) at Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA also knew that Veridicom
25 International intentionally chose not to pay the second maintenance fee for the '620 patent when
26 it was due. On information and belief, Mr. Regan (and perhaps others) at Allen, Dyer, Doppelt,
27 Milbrath & Gilchrist, PA also knew that Veridicom International had no intention to revive the
28 '620 patent unless the '620 patent could be sold. On information and belief, despite this

1 knowledge, none of these facts were provided to the USPTO for it to consider when evaluating
2 the July 15, 2009 Petition To Revive.

3 84. Mr. Regan and any other attorneys at Allen, Dyer, Doppelt, Milbrath & Gilchrist,
4 PA involved in the drafting of the Petition To Revive should have known, and would have known
5 had they made any inquiry, that (i) Veridicom International knew long before July 15, 2009 that
6 the maintenance fee for the '620 patent due on April 11, 2008 had not been paid, (ii) Veridicom
7 International had had no intention of paying such maintenance fee at the time it was due, (iii)
8 Veridicom International had had no intention of reviving the abandoned '620 patent unless and
9 until the '620 patent could be sold, and (iv) Veridicom International had told AuthenTec and
10 others it approached in trying to sell its patent portfolio that it had let the '620 patent lapse
11 deliberately.

12 85. On information and belief, AuthenTec, as well Mr. Regan and any other attorneys
13 at Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA involved in the drafting of the Petition To
14 Revive, knew long before July 15, 2009 that the maintenance fee for the '620 patent due on April
15 11, 2008 had not been paid and made no attempt to have Veridicom International pay this
16 maintenance fee until after Veridicom International had agreed to sell the '620 patent to
17 AuthenTec.

18 86. AuthenTec's attorney Christopher F. Regan filed the Petition To Revive with the
19 USPTO via facsimile on July 15, 2009.

20 87. On August 21, 2009, the USPTO granted the Petition to Revive. Upon
21 information and belief, at no time during its consideration of the Petition To Revive did the
22 USPTO ask Mr. Coles, Veridicom International, AuthenTec, Mr. Regan or anyone else at Allen,
23 Dyer, Doppelt, Milbrath & Gilchrist, PA for any facts regarding the abandonment of the '620
24 patent and whether the abandonment was actually "unintentional" under the applicable statutes
25 and rules. Instead, the USPTO followed its normal practice and relied on Mr. Coles', Veridicom
26 International's, AuthenTec's, Mr. Regan's and Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA's
27 duty of candor when it accepted the Petition To Revive in which Mr. Coles, AuthenTec, Mr.
28 Regan and others at Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA stated that the entire delay in

1 the period between the abandonment of the '620 patent (*i.e.*, April 11, 2008) until the filing of the
2 Petition To Revive (*i.e.*, July 15, 2009) was unintentional.

3 88. The statement in the Petition To Revive that "the delay in paying the maintenance
4 fee which resulted in the expiration of the patent was unintentional" was false. Mr. Coles knew
5 over a year before executing the Petition to Revive that (i) Veridicom International had no cash to
6 pay any maintenance fee for the '620 patent on April 11, 2008, (ii) Veridicom International had
7 been instructed by its investors to pay no maintenance fees on any of its patents, including the
8 '620 patent, (iii) the '620 patent had been abandoned for failure to pay the second maintenance
9 fee, and (iv) Veridicom International had deliberately chosen to delay seeking revival.

10 AuthenTec also knew the statement in the Petition To Revive that "the delay in paying the
11 maintenance fee which resulted in the expiration of the patent was unintentional" was false. Mr.
12 Regan should have known, and on information and belief did know, that the statement in the
13 Petition To Revive that "the delay in paying the maintenance fee which resulted in the expiration
14 of the patent was unintentional" was false.

15 89. The statement in the Petition To Revive that "[t]he delay in payment of the
16 maintenance fee was unintentional" was false. Mr. Coles knew over a year before executing the
17 Petition to Revive that (i) Veridicom International had no cash to pay any maintenance fee for the
18 '620 patent on April 11, 2008, (ii) Veridicom International had been instructed by its investors to
19 pay no maintenance fees on any of its patents, including the '620 patent, (iii) the '620 patent had
20 been abandoned for failure to pay the second maintenance fee, and (iv) Veridicom International
21 had deliberately chosen to delay seeking revival. AuthenTec also knew the statement in the
22 Petition To Revive that "[t]he delay in payment of the maintenance fee was unintentional" was
23 false. Mr. Regan should have known, and on information and belief did know, that the statement
24 in the Petition To Revive that "[t]he delay in payment of the maintenance fee was unintentional"
25 was false.

26 90. The statement in the Petition To Revive that "I hereby declare that all statements
27 made herein of my own knowledge are true" was false. Mr. Coles knew over a year before
28 executing the Petition to Revive that that (i) Veridicom International had no cash to pay any

1 maintenance fee for the '620 patent on April 11, 2008, (ii) Veridicom International had been
2 instructed by its investors to pay no maintenance fees on any of its patents, including the '620
3 patent, (iii) the '620 patent had been abandoned for failure to pay the second maintenance fee,
4 and (iv) Veridicom International had deliberately chosen to delay seeking revival. AuthenTec
5 knew that statement that "I hereby declare that all statements made herein of my own knowledge
6 are true" was false. Mr. Regan should have known, and on information and belief did know, that
7 the statement that "I hereby declare that all statements made herein of my own knowledge are
8 true" was false.

9 91. On information and belief, Veridicom International and/or Mr. Coles intentionally
10 chose not to pay the second maintenance fee for the '620 patent on or before April 11, 2008
11 because (i) Veridicom International had no cash in which to pay the maintenance fee, (ii)
12 Veridicom International had been instructed by its investors to pay no maintenance fees on any of
13 its patents, including the '620 patent, and (iii) neither Veridicom International nor Mr. Coles
14 considered the '620 patent to be of sufficient value to justify the financial expense of maintaining
15 the '620 patent unless it could be sold.

16 92. Neither Veridicom International nor Mr. Coles made any attempt to revive the
17 '620 patent until after it had been sold to AuthenTec since Veridicom International and/or Mr.
18 Coles did not consider the '620 to be of sufficient value to justify the financial expense of
19 maintaining the '620 patent unless it could be sold. Thus, Veridicom International and/or Mr.
20 Coles intentionally deferred payment of the second maintenance fee for the '620 patent until
21 circumstances had changed, *i.e.*, that the '620 patent had been sold. Thus, the abandonment of
22 the '620 patent for failing to pay the second maintenance fee was not unintentional under the
23 statutes and rules governing revival of lapsed patents.

24 93. Due to the failure of each and all of Veridicom International, Mr. Coles,
25 AuthenTec, Mr. Regan and others at Allen, Dyer, Doppelt, Milbrath & Gilchrist, PA to comply
26 with the duty of candor each was obligated to comply with in their communications and conduct
27 at the USPTO, each and all submitted false statements to the USPTO in seeking to revive the '620
28

1 patent. As a result, the '620 patent should be held unenforceable as the submission such false
2 statements to the USPTO constitutes inequitable conduct.

3 **PRAYER FOR RELIEF**

4 UPEK requests that the Court find in its favor and against AuthenTec and that the Court
5 grant the following relief:

6 a. Judgment that one or more of the claims of the '773, '888, '814, and/or '631
7 patents have been infringed, directly, indirectly, contributorily and/or by inducement, either
8 literally and/or under the doctrine of equivalents, by AuthenTec;

9 b. Judgment in favor of UPEK for the full amount of its actual damages caused by
10 AuthenTec's direct, indirect, contributory and/or induced infringement of the '773, '888, '814,
11 and/or '631 patents, which include lost profits and/or a reasonable royalty and an assessment of
12 interests and costs, and trebling the same by reason of the willful, wanton, and deliberate nature
13 of such infringement;

14 c. Judgment that AuthenTec's direct, indirect, contributory and/or by induced
15 infringement of the '773, '888, '814, and/or '631 patents is willful;

16 d. Judgment that AuthenTec be preliminarily and permanently enjoined from further
17 activity or conduct that infringes the claims of the '773, '888, '814, and/or '631 patents;

18 e. Judgment declaring that UPEK has not infringed and does not infringe the '526
19 patent, directly, indirectly, or contributorily;

20 f. Judgment declaring that the '526 patent is invalid;

21 g. Judgment declaring that UPEK has not infringed and does not infringe the '441
22 patent, directly, indirectly, or contributorily;

23 h. Judgment declaring that the '441 patent is invalid;

24 i. Judgment declaring that UPEK has not infringed and does not infringe the '620
25 patent, directly, indirectly, or contributorily;

26 j. Judgment declaring that the '620 patent is invalid;

27 k. Judgment declaring that the '620 patent is unenforceable due to inequitable
28 conduct;

