

# Mentor Graphics loses latest court clash with Quickturn

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Mentor Graphics Corp. is used to striking out when it takes on niche competitor Quickturn Design Systems in court. But, in the most recent go-around with Quickturn, the judge threw Mentor and its co-plaintiffs out of the game because key evidence was faked.

Mentor's latest setback was notable for the severity and tone of the judge's ruling. Mentor, along with its wholly owned subsidiary Meta Systems and another technology company, Aptix Inc., took Quickturn to court, alleging that the San Jose company had violated a patent on technology Mentor and Meta had licensed from Aptix.

That wasn't the decision of Judge William Alsup, United States District Court for the Northern District of California. Instead, he found that the inventor of the disputed Aptix technology had fabricated much of one engineering notebook and all of another notebook "in a premeditated and prolonged effort to deceive the defendant and this court."

Judge Alsup then ruled that the disputed patent was unenforceable and said that "neither Aptix nor Meta may seek to enforce it either for injunctive relief or for damages."

The fraud was an attempt by Amr Moshen, Aptix chairman and chief executive, to establish an earlier patent date for his invention. As part of that fraud, Moshen was found to have fabricated part of a 1989 engineering notebook, all of a 1988 notebook and three entries in an appointment book.

Quickturn first challenged the validity of the notebooks in 1998. As late as February of this year, Mentor, Meta and Aptix said they would rely on the 1988 notebook as evidence and would offer testimony supporting its authenticity.

The judge passed on the question of whether Meta or Mentor knew about or were in any way directly involved with the creation of the fraudulent notebook and entries saying "the court has made no findings as to whether Meta acted in bad faith in this action."

Quickturn's parent company's legal counsel was quick to point out that the judge did not clear Meta or Mentor of any involvement in the fraud but simply did not make any finding regarding that matter.

A Mentor spokesperson said the company found Moshen's behavior "pretty disturbing" and had no part in it. In fact, Mentor asked the judge to have the phony notebooks stricken from the record so that the case could be focused on the validity of the existing patent.

"I won't say we were unaware of what he did, but we were arguing a different legal point," said Ry Schwark, public and investor relations director at Mentor.

It was another discouraging legal loss for Mentor in its almost obsessive campaign to prove to the world that it has done no wrong in its ongoing battle with Quickturn. So far, Mentor's battle with Quickturn has run up huge bills--more than \$38 million in litigation costs and the expense of the aborted hostile takeover. The five-year-old dispute included a hostile takeover attempt of Quickturn that was called off in early 1999 when rival Cadence outbid Mentor.

Quickturn points to its string of a dozen straight victories over Mentor and characterizes the Wilsonville company as a big corporate bully. Mentor, meanwhile, says it feels the judge went too far in punishing Aptix by declaring an otherwise valid patent unenforceable. Plus, Mentor points out, it was Quickturn that first turned to the courts and continues to do so while Mentor stands ready to cooperate and cross-license disputed technology.

Court documents in the latest case clearly show that Mentor was betting heavily that it had found a way to break its string of courtroom losses to Quickturn. The two companies have kept the courts busy over the past few years arguing over technology for emulator products. Emulators allow

The latest round began when Mentor and Meta licensed some patented emulator technology from Aptix, which gave Meta the right to sue to enforce the patent. According to court documents, however, it was Mentor that made the key decisions.

The local company negotiated the license agreement with Aptix and then paid Aptix \$1 million up front. Mentor then agreed to front all legal expenses for prosecuting the infringement suit against Quickturn and agreed to share in any recovery. But, Mentor also agreed to cover all litigation expenses beyond its recovery.

In addition, Aptix and Mentor negotiated a financing agreement and marketing agreement that for Mentor to loan Aptix \$3 million. Then, on February 26, 1998, Aptix and Meta, the Mentor subsidiary, sued Quickturn, which in turn counter-sued and added Mentor as a co-defendant.

Quickturn is crowing that it's won 12 consecutive decisions against Mentor, but the San Jose court also said it's tired of devoting too much of its energy and money to what it views as Mentor's vindictive attacks.

"This is a concerted campaign of harassment against Quickturn," said Chris Tice, Quickturn co-vice president and general manager. "You wonder why."

In this case, Mentor has acted as a "mercenary" and Aptix as an "arms merchant" for the purpose of tying up Quickturn in court, said Smith McKeithem, senior vice president and general counsel of Cadence.

"The only reason they [Mentor] gave them the money was to buy a weapon to fire at Quickturn," McKeithem said.

Mentor's main concern is that the judge ruled that a valid patent was unenforceable, Schwark said. "It's a really hard situation because fundamentally we believe the underlying patent is valid," Schwark said. The original, real notebooks bear out that conclusion, he said.

The company is evaluating its options, including a possible appeal, he said. Mentor also is looking at what recourse it has against Aptix and its CEO, Schwark said.

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Company Press Release

Quickturn Wins Patent Lawsuit

Patent Infringement Lawsuit Against Quickturn by Plaintiffs Aptix and Meta Systems, Mentor Graphics' Wholly-Owned Subsidiary, Thrown Out of Court because of Falsified Evidence

SAN JOSE, Calif.--(BUSINESS WIRE)--June 15, 2000-- Quickturn Design Systems, Inc., a Cadence® company, won a significant legal decision over opposing parties Aptix Corporation, Mentor Graphics Corporation, and Meta Systems Inc. when the United States District Court for the Northern District of California entirely dismissed their federal lawsuit accusing Quickturn of patent infringement.

In his decision, the Honorable William H. Alsup found clear and convincing evidence that Aptix Chairman and CEO Amr Mohsen, named inventor of U.S. Patent No. 5,544,069, attempted to defraud the court by falsifying engineering notebooks and other documents that allegedly contained evidence of the invention date for the patent. As punishment for "Aptix's attempt to defraud the Court and to strengthen its patent through a premeditated and sustained campaign of lies and forgery," Judge Alsup held the patent completely unenforceable, by either Aptix or its licensees Mentor and Meta. Accordingly, the complaint was "dismissed in its entirety" and Quickturn was awarded its attorneys' fees and costs.

"We have always maintained that this lawsuit had no basis in fact or law, from its very inception," said Chris Tice, corporate vice president and general manager of Quickturn. "It's shocking to us that Mentor and Meta chose to pursue this case in the face of obvious evidentiary problems, which culminated in their central witness pleading the 5<sup>th</sup> amendment on the grounds that he might incriminate himself. Over the past several years, Mentor, Meta, and their partner in litigation Aptix have used the courts to harass Quickturn. Despite their abusive litigation tactics, Quickturn has repeatedly prevailed. We believe the two recently filed lawsuits by Mentor and Meta are equally lacking in merit. We intend to vigorously defend against Mentor and Meta's tactic of using the court system to bully and harass Quickturn."

This decision is the 12<sup>th</sup> consecutive victory by Quickturn in a series of lawsuits and other proceedings in which Quickturn has successfully defended its rights against Mentor Graphics, Meta Systems, and Aptix Corp. According to Paragraph three of the Findings of Fact by the court: The present lawsuit arose from a joint agreement among Aptix, Meta, and Mentor in which a license to the Aptix-owned patent was given allowing Meta, Mentor's wholly-owned subsidiary, the right to "exclusively" enforce the patent within the city boundaries of San Jose, California, which is the location of Quickturn's headquarters. In exchange for this license, Mentor and Meta agreed to front all legal expenses for filing a joint patent

infringement lawsuit against Quickturn, to pay an upfront license fee of \$1 million, and to share in any monetary winnings.

About Cadence

Cadence is the largest supplier of software products, methodology and design services used to accelerate and manage the design of semiconductors, computer systems, networking and telecommunications equipment, consumer electronics, and a variety of other electronics-based products. With approximately 5,000 employees and 1999 annual revenue of \$1.1 billion, Cadence has sales offices, design centers, and research facilities around the world. The Company is headquartered in San Jose, Calif., and traded on the New York Stock Exchange under the symbol CDN. More information about the company, its products and services may be obtained from the World Wide Web at <<http://www.cadence.com>>.

About Quickturn

Quickturn, a Cadence company, is the leading provider of high-performance verification products and Time-to-Market Engineering (TIME™) services for the design and verification of complex IC and electronic systems. Quickturn products and services are used by developers of high-performance computing, multimedia, graphics, and communications systems. For more information, visit the Quickturn web site at <<http://www.quickturn.com>> or send e-mail to [info@quickturn.com](mailto:info@quickturn.com) <<mailto:info@quickturn.com>>. Cadence and the Cadence logo are registered trademarks of Cadence Design Systems, Inc. Quickturn is a trademark of Quickturn Design Systems, Inc. All others are properties of their holders.