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 16 MICROSOFT CORP.

17 UNITED STATES DISTRICT COURT
 18 NORTHERN DISTRICT OF CALIFORNIA
 19 (SAN FRANCISCO DIVISION)

20 MASTEROBJECTS, INC.,
 21 Plaintiff
 22 v.
 23 MICROSOFT CORP.,
 24 Defendant.

Case No. CV 11-2402 EMC

MICROSOFT CORPORATION’S ANSWER
 AND COUNTERCLAIMS TO
 MASTEROBJECTS, INC.’S COMPLAINT

25 Defendant, Microsoft Corp. (“Microsoft”) answers the allegations set forth in the
 26 Complaint of Plaintiff MasterObjects, Inc. (“MasterObjects”). Except as expressly admitted
 27 below, Microsoft denies each and every allegation in Plaintiff’s complaint. To the extent any
 28 heading or non-numbered statement in Plaintiff’s Complaint contains an allegation, Microsoft
 denies each and every allegation therein.

Specifically, Microsoft answers as follows:

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PARTIES

1. Microsoft lacks sufficient information to admit or deny the allegations of paragraph 1 of the complaint, and, therefore, denies those allegations.

2. Microsoft is a corporation organized under the laws of Washington, with its principal place of business in Redmond, Washington. Microsoft denies all the remaining allegations of paragraph 2 of the Complaint.

JURISDICTION AND VENUE

3. Microsoft admits that the Complaint purports to state a claim for patent infringement under the Patent Act, 35 U.S.C. § 271. Microsoft admits that this Court has subject matter jurisdiction over this matter under 28 U.S.C. § 1338(a). Microsoft denies all the remaining allegations of paragraph 3 of the Complaint.

4. Microsoft admits, for purposes of this action only, that it is subject to personal jurisdiction in this District and that it does business in this Judicial District. Microsoft denies all the remaining allegations of paragraph 4 of the Complaint.

INTRADISTRICT ASSIGNMENT

5. Microsoft admits the allegation of paragraph 5 of the Complaint.

STATEMENT OF FACTS

6. Microsoft lacks sufficient information to admit or deny the allegations of paragraph 6 of the complaint, and, therefore, denies those allegations.

7. Microsoft lacks sufficient information to admit or deny the allegations of paragraph 7 of the complaint, and, therefore, denies those allegations.

8. Microsoft lacks sufficient information to admit or deny the allegations of paragraph 8 of the complaint, and, therefore, denies those allegations.

9. Microsoft lacks sufficient information to admit or deny the allegations of paragraph 9 of the complaint, and, therefore, denies those allegations.

10. Microsoft admits that U.S. Patent No. 7,752,326 (“the ’326 patent”) is entitled “System and Method for Utilizing Asynchronous Client Server Communications Objects.” Microsoft denies that the ’326 patent was duly and legally issued. Microsoft lacks sufficient

1 information to admit or deny all other allegations of paragraph 16 of the complaint, and, therefore,
2 denies those allegations.

3 11. Microsoft admits that the Abstract of the '326 patent appears to include the
4 language quoted in paragraph 11 of the Complaint. Microsoft lacks knowledge or information
5 sufficient to form a belief regarding the remaining allegations of paragraph 11 of the Complaint
6 and on that basis denies them.

7 12. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
8 12 of the complaint, and, therefore, denies those allegations.

9 13. Microsoft denies the allegations in paragraph 13 of the Complaint.

10 14. Microsoft denies the allegations in paragraph 14 of the Complaint.

11 15. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
12 15 of the complaint, and, therefore, denies those allegations.

13 16. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
14 16 of the complaint, and, therefore, denies those allegations.

15 17. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
16 17 of the complaint, and, therefore, denies those allegations.

17 18. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
18 18 of the complaint, and, therefore, denies those allegations.

19 19. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
20 19 of the complaint, and, therefore, denies those allegations.

21 20. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
22 20 of the complaint, and, therefore, denies those allegations.

23 **COUNT 1**

24 **PATENT INFRINGEMENT**
25 **(The Instant Search Patent)**

26 21. Microsoft admits that U.S. Patent No. 7,752,326 (“the '326 patent”) is entitled
27 “System and Method for Utilizing Asynchronous Client Server Communications Objects.”
28 Microsoft also admits that a copy of the '326 patent appears to be attached as Exhibit A to the

1 complaint. Microsoft denies that the '326 patent was duly and legally issued. Microsoft lacks
2 sufficient information to admit or deny all other allegations of paragraph 21 of the complaint, and,
3 therefore, denies those allegations.

4 22. Microsoft lacks sufficient information to admit or deny the allegations of paragraph
5 22 of the complaint, and, therefore, denies those allegations.

6 23. Microsoft denies the allegations in paragraph 23 of the Complaint.

7 24. Microsoft denies the allegations in paragraph 24 of the Complaint.

8 25. Microsoft denies the allegations in paragraph 25 of the Complaint.

9 26. Microsoft denies the allegations in paragraph 26 of the Complaint.

10 27. Microsoft denies the allegations in paragraph 27 of the Complaint.

11 28. Microsoft denies that Plaintiff is entitled to any of the relief requested in its Prayer
12 for Relief.

13 29. Microsoft denies all allegations not expressly admitted herein.

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15 **AFFIRMATIVE DEFENSES**

16 **FIRST AFFIRMATIVE DEFENSE**

17 **(Non-Infringement)**

18 30. Microsoft does not infringe and has not infringed (either directly, contributorily or
19 by inducement) any claim of the '326 patent.

20 **SECOND AFFIRMATIVE DEFENSE**

21 **(Invalidity)**

22 31. One or more asserted claims of the '326 patent are invalid because they fail to
23 comply with the requirements of 35 U.S.C. § 101 et seq., including, without limitation, sections
24 101, 102, 103 and 112.

25 **THIRD AFFIRMATIVE DEFENSE**

26 **(Equitable Defenses - Laches)**

27 32. Plaintiff's claims are barred, in whole or in part by the equitable doctrine of laches.

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1 **FOURTH AFFIRMATIVE DEFENSE**

2 **(Equitable Defenses - Estoppel)**

3 33. Plaintiff's claims are barred, in whole or in part by the equitable doctrines of
4 estoppel and/or waiver.

5 **SIXTH AFFIRMATIVE DEFENSE**

6 **(Prosecution History Estoppel)**

7 34. Plaintiff's claims are barred by the doctrine of prosecution history estoppel based
8 on statements, representations and admissions made during prosecution of the patent application
9 resulting in the '326.

10 **SEVENTH AFFIRMATIVE DEFENSE**

11 **(Statutory Damages Limitations)**

12 35. Plaintiff's claim for damages is statutorily limited by 35 U.S.C. § 286 and/or § 287.

13 **EIGHTH AFFIRMATIVE DEFENSE**

14 **(Government Sales)**

15 36. Plaintiff's remedies are limited under 28 U.S.C. § 1498.

16 **NINTH AFFIRMATIVE DEFENSE**

17 **(No Injunctive Relief)**

18 37. Plaintiff's claim for injunctive relief is barred because there exists an adequate
19 remedy at law and Plaintiff's claims otherwise fail to meet the requirements for such relief.

20 **TENTH DEFENSE**

21 **(No Standing)**

22 38. Plaintiff does not have standing to bring an action for infringement of the '326
23 patent under the United States patent laws.

24 **ELEVENTH DEFENSE**

25 **(Unclean Hands)**

26 39. Some or all of Plaintiff's claims for relief are barred and unenforceable, in whole or
27 in part, under the doctrine of unclean hands.

28

1 **TWELFTH DEFENSE**

2 **(Reverse Doctrine of Equivalents)**

3 40. Microsoft’s accused methods and/or systems operate and/or are configured in ways
4 substantially different in principle from the way the invention described in the ’326 patent operates
5 and/or is programmed, and Plaintiff cannot sustain its burden of proving otherwise.

6 **THIRTEENTH DEFENSE**

7 **(Failure to Mitigate Damages)**

8 41. Plaintiff’s claims are barred, in whole or in part, by its failure to mitigate damages.
9

10 **MICROSOFT’S COUNTERCLAIM FOR DECLARATORY RELIEF**

11 1. Microsoft incorporates its responses to paragraphs 1-41 by reference as if fully set
12 forth here and asserts the following counterclaims for declaratory relief against MasterObjects:

13 **PARTIES**

14 2. Microsoft Corporation (“Microsoft”) is a Washington corporation with its principal
15 place of business located at One Microsoft Way, Redmond, WA 98052.

16 3. On information and belief, counterclaim defendant MasterObjects, Inc.
17 (“MasterObjects”) is a corporation organized and existing under the laws of California with its
18 principal place of business in Maarsse, Netherlands.

19 **JURISDICTION AND VENUE**

20 4. This counterclaim for a declaratory judgment arises under the Federal Declaratory
21 Judgment Act, 28 U.S.C. § 2201 et seq., and the Patent Act of the United States, 35 U.S.C. § 101
22 et seq. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331, 1338, 2201, and 2202.

23 5. This Court also has personal jurisdiction over MasterObjects because, among other
24 reasons, MasterObjects submitted itself to the jurisdiction of this Court by bringing its complaint
25 for infringement of United States Patent No. 7,752,326 (“the ’326 patent”) in this Court.

26 6. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1400(b) because,
27 among other reasons, MasterObjects has brought its complaint for infringement of the ’326 patent
28 in this Court.

1 **FACTUAL ALLEGATIONS**

2 **United States Patent No. 5,805,911**

3 7. On September 8, 1998, the United States Patent & Trademark Office duly and
4 legally issued United States Patent No. 5,805,911 (“the ’911 patent”) entitled “Word Prediction
5 System.” A true and correct copy of the ’911 Patent is attached as Exhibit A and is incorporated
6 herein by reference.

7 8. Microsoft Corporation is the assignee of the ’911 Patent and has standing to bring
8 forth these claims against MasterObjects.

9 9. The ’911 patent claims various methods and for application independent text prediction.

10 **MasterObjects’ Infringing Products and Services**

11 10. On information and belief, in 2004, MasterObjects introduced a software product
12 that it calls “QuestFields.”

13 11. On information and belief, QuestFields includes functionality which suggests
14 completions and additional related terms to refine a search query entered by a user.

15 12. On information and belief, MasterObjects sells QuestFields to customers so that
16 customers can modify their webpages to include QuestFields powered search fields which suggest
17 completions and additional related terms to refine search queries.

18 13. On information and belief, MasterObjects sells mobile Questfields to customers so
19 that customers can modify their webpages to include QuestFields powered search fields which
20 suggest completions and additional related terms to refine search queries.

21 14. On information and belief, MasterObjects sells a particular implementation of
22 Questfields, called ProductFinder Questfield, to customers permitting customers to search
23 products in a database. A ProductFinder QuestField allows users to start typing the first
24 characters of any word in a product name to activate a query. The QuestField Server immediately
25 goes out to a product database and quickly shows the first matches, while the user is typing. A
26 ProductFinder QuestField shows product names and any other metadata that is available in a
27 database. Users can submit the value found, just like a static input field in traditional web
28 applications

1 **COUNTERCLAIM III:**

2 **INFRINGEMENT OF THE '911 PATENT**

3 23. Microsoft incorporates by reference paragraphs 1-22 above as though fully repeated
4 here.

5 24. Microsoft is informed and believes, and on that basis alleges, that MasterObjects, in
6 connection with certain of its products, services, methods and/or systems, including QuestFields,
7 has infringed and continues to infringe the '911 patent by making, using, offering for sale, and/or
8 selling within the United States systems or methods that embody the inventions claimed in the
9 '911 patent; and/or by actively inducing others to make or use in the United States the systems
10 and/or methods claimed in one or more claim of the '911 patent.

11 25. MasterObjects' activities constitute infringement of one or more claims of the '911
12 patent, either directly, indirectly, literally, or under the doctrine of equivalents, in violation of one
13 or more subsections of 35 U.S.C. § 271.

14 26. As a result of MasterObjects' infringement of the '911 patent, Microsoft has been
15 damaged and will continue to be damaged until MasterObjects is enjoined from further acts of
16 infringement.

17 27. Microsoft faces real, substantial and irreparable damage and injury of a continuing
18 nature from MasterObjects' infringement of the '911 patent for which Microsoft has no adequate
19 remedy at law.

20 **EXCEPTIONAL CASE**

21 28. This is an exceptional case under 35 U.S.C. § 285 and Microsoft is entitled to
22 recover its attorneys' fees and costs incurred in connection with this action.

23 **PRAAYER FOR RELIEF**

24 WHEREFORE, Microsoft prays for entry of judgment as follows:

- 25 (a) That MasterObjects take nothing by its Complaint;
26 (b) That MasterObjects' Complaint be dismissed with prejudice;
27 (c) That the Court enter a declaration that Microsoft does not infringe and has not
28 infringed, directly or indirectly, the '326 patent;

- 1 (d) That the Court declare that the '326 patent is invalid;
- 2 (e) The Court enter judgment declaring that Microsoft is the owner of U.S. Patent No
- 3 7,752,326, that Microsoft should be entitled to all rights of recovery thereunder, and
- 4 that U.S. Patent No. 7,752,326 is valid and enforceable;
- 5 (f) The Court enjoin, by preliminary and permanent injunctions, MasterObjects; its
- 6 officers, principals, agents, attorneys, servants, employees and all others acting by or
- 7 under their direction and authority; and their successors and assigns from making,
- 8 using offering to sell, or selling in the United States any infringing products or any
- 9 other product substantially equivalent thereto which is also within the scope of any
- 10 claim of U.S. Patent No. 5,805,911;
- 11 (g) Microsoft be awarded an accounting for and recovery of damages under 35 U.S.C. §
- 12 284 adequate to fully compensate it for infringement by MasterObjects of U.S. Patent
- 13 No. 5,805,911 and in an amount to be proven at trial;
- 14 g) That this case be declared exceptional and that Microsoft be awarded its costs, expenses,
- 15 and reasonable attorney fees in this action pursuant to 35 U.S.C. § 285; and
- 16 (h) That Microsoft be awarded other and further relief as the Court may deem appropriate.

17 **JURY DEMAND**

18 Defendant, Microsoft Corporation demands a jury trial on all issues triable by jury.

19 Dated: July 8, 2011

FISH & RICHARDSON P.C.

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21
22 By: /s/ Leeron G. Kalay
Leeron G. Kalay

23 Attorneys for Defendant
24 MICROSOFT CORP.

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