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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

YAHOO! INC., a Delaware corporation,

Plaintiff,

vs.

FACEBOOK, INC, a Delaware corporation,

Defendant.

CASE NO. CV-12-01212-JSW

**PLAINTIFF YAHOO! INC.'s REPLY
AND COUNTER COUNTERCLAIMS TO
DEFENDANT FACEBOOK, INC.'S
ANSWER; COUNTERCLAIM AGAINST
FACEBOOK, INC FOR DECLARATORY
JUDGMENT OF NON-INFRINGEMENT**

JURY TRIAL DEMANDED

Plaintiff Yahoo! Inc. ("Yahoo!") hereby submits this Reply ("Reply") in response to the Counterclaim for Patent Infringement ("Counterclaim") filed in this action by Facebook, Inc. ("Facebook"). Yahoo!'s Counterclaims are set forth below the following Reply. For its Reply, Yahoo! states as follows:

1. In retaliation for Yahoo!'s good faith allegations of patent infringement, Facebook alleges infringement of ten patents as counterclaims. However, on information and belief, Facebook lacks a good faith basis for most, if not all, of its counterclaims, particularly those patents that it purchased from others.
2. Facebook purchased eight patents from non-practicing entities: two patents were purchased from "IPG Electronics 503 Limited," a San Diego-based patent aggregator; two patents were purchased from "Cheah Intellectual Property Licensing," a California-based patent

1 holding company; one patent was purchased from "Right Point LLC," a Texas-based patent
2 aggregator; and three patents were purchased from New York University's intellectual property
3 licensing department. All eight of these patents were purchased by Facebook in the past five
4 months, and several of these patents were purchased (independent of any separate technology
5 acquisition or merger) after Yahoo! filed its complaint in this action. On information and belief,
6 many, if not all, of these patents were acquired by Facebook for purposes of retaliation against
7 Yahoo! in this case.

8 3. No employee or officer of Facebook or any affiliated company conceived of,
9 reduced to practice, or developed the alleged inventions claimed in the eight patents acquired
10 from non-practicing entities. In fact, the applications for many of these patents predate
11 Facebook itself.

12 4. Contrary to an agreement between in-house counsel for Facebook and in-house
13 counsel for Yahoo! to raise intellectual property issues with each other in the first instance,
14 Facebook provided no notice to Yahoo! of any alleged infringement, and Facebook never
15 attempted to resolve any alleged infringement of any of its patents by Yahoo! prior to asserting
16 them in litigation. Indeed, the PTO did not even issue U.S. Patent No. 8,150,913 until April 3,
17 2012—the day Facebook asserted it.

18 5. On information and belief, Facebook failed to perform a good faith investigation
19 into its counterclaims prior to asserting them in retaliation against Yahoo! For example, as
20 described more fully below, Facebook purchased and asserted patents tainted by inequitable
21 conduct. Furthermore, Facebook asserted its newly-acquired patents against aspects of Yahoo!'s
22 products for which there is little to no publicly-available information. Unless Facebook has
23 unlawfully acquired Yahoo! confidential business information, Facebook could not have
24 developed a good-faith basis for many of the infringement allegations in its counterclaims.
25 Because Facebook's infringement assertions appear to be based on nothing more than
26 conjecture, assumptions, and unsupported inferences about how Yahoo!'s products may possibly
27 operate and because Facebook's allegations are the result of an insufficient pre-filing
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1 investigation, Yahoo! reserves its right to seek attorneys fees, sanctions, and such other relief as
2 the court may deem proper pursuant to Rule 11 of the Federal Rules of Civil Procedure.

3 **THE PARTIES**

- 4 1. Admitted.
5 2. Admitted.

6 **JURISDICTION AND VENUE**

7 3. Yahoo! admits that this is a civil action for alleged patent infringement arising
8 under the patent laws of the United States, Title 35 of the United States Code. Yahoo! admits
9 that this Court has exclusive subject matter jurisdiction over this counterclaim pursuant to 28
10 U.S.C. §1338(a).

11 4. Yahoo! admits that this Court has personal jurisdiction over Yahoo! because
12 Yahoo! maintains its principal place of business in this District, does business in this District,
13 and filed the Complaint in this action. Yahoo! denies having committed acts of infringement in
14 this District or elsewhere.

15 **FACEBOOK'S ALLEGATIONS OF INFRINGEMENT**

16 5. Yahoo! denies that it infringes any of the Facebook patents-in-suit. Yahoo!
17 specifically denies that it has committed any acts of infringement through the Yahoo! Home
18 Page, Yahoo!'s Content Optimization and Relevance Engine ("C.O.R.E."), the Yahoo! Flickr
19 photo sharing service, and advertisements displayed throughout Yahoo! including on My
20 Yahoo!, Yahoo! Finance, Yahoo! Sports, Yahoo! News, Yahoo! Games, Yahoo! Movies,
21 Yahoo! Shopping, Yahoo! Travel, Yahoo! Autos, and Flickr. Yahoo! admits that it has been
22 reported that advertisements contributed 80% of Yahoo!'s revenue in 2011, accounting for more
23 than \$4 billion dollars. Yahoo! admits that Flickr has at least 51 million registered users and 80
24 million unique visitors worldwide per month. Yahoo! admits that Yahoo! News and Yahoo!
25 Sports are the news and sports sites with the largest audiences in the United States. Yahoo!
26 lacks knowledge or information sufficient to form a belief regarding the remaining allegations of
27 paragraph 5 of the Counterclaim and on that basis denies them.

1 **COUNT ONE**

2 **(ALLEGED INFRINGEMENT OF THE '208 PATENT)**

3 6. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
4 the Counterclaim as if fully set forth therein.

5 7. Yahoo! admits that what appears to be a copy of the '208 patent is attached as an
6 exhibit to Facebook's Counterclaim and that, on its face, the '208 patent is entitled "Generating
7 a Feed of Stories Personalized for Members of a Social Network" and issued on November 2,
8 2010. Yahoo! lacks knowledge or information sufficient to form a belief as to the truth of the
9 remaining allegations of paragraph 7 of the Counterclaim and therefore denies them.

10 8. Yahoo! denies the allegation in paragraph 8 of the Counterclaim and specifically
11 denies that it has committed any acts of infringement, induced others to infringe, or contributed
12 to infringement of the '208 patent.

13 9. Yahoo! denies the allegation in paragraph 9 of the Counterclaim and specifically
14 denies that it has committed any acts of infringement, denies that it has caused or will cause
15 damage to Facebook for which Facebook is entitled to recovery under 35 U.S.C. § 284, denies
16 that Facebook has been irreparably harmed and denies that there is no remedy at law.

17 **COUNT TWO**

18 **(ALLEGED INFRINGEMENT OF THE '653 PATENT)**

19 10. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
20 the Counterclaim as if fully set forth therein.

21 11. Yahoo! admits that what appears to be a copy of the '653 patent is attached as an
22 exhibit to Facebook's Counterclaim and that, on its face, the '653 patent is entitled "Tagging
23 Digital Media" and issued on May 17, 2011. Yahoo! lacks knowledge or information sufficient
24 to form a belief as to the truth of the remaining allegations of paragraph 11 of the Counterclaim
25 and therefore denies them.

26 12. Yahoo! denies the allegation in paragraph 12 of the Counterclaim and specifically
27 denies that it has committed any acts of infringement, induced others to infringe, or contributed
28 to infringement of the '653 patent.

1 knowledge or information sufficient to form a belief as to the truth of the remaining allegations
2 of paragraph 19 of the Counterclaim and therefore denies them.

3 20. Yahoo! denies the allegation in paragraph 20 of the Counterclaim and specifically
4 denies that it has committed any acts of infringement, induced others to infringe, or contributed
5 to infringement of the '133 patent.

6 21. Yahoo! denies the allegation in paragraph 21 of the Counterclaim and specifically
7 denies that it has committed any acts of infringement, denies that it has caused or will cause
8 damage to Facebook for which Facebook is entitled to recovery under 35 U.S.C. § 284, denies
9 that Facebook has been irreparably harmed, and denies that there is no remedy at law.

10 **COUNT FIVE**

11 **(ALLEGED INFRINGEMENT OF THE '949 PATENT)**

12 22. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
13 the Counterclaim as if fully set forth therein.

14 23. Yahoo! admits that what appears to be a copy of the '949 patent is attached as an
15 exhibit to Facebook's Counterclaim and that, on its face, the '949 patent is entitled
16 "Customizing Database Information for Presentation with Media Selections" and issued on June
17 25, 2002. Yahoo! lacks knowledge or information sufficient to form a belief as to the truth of the
18 remaining allegations of paragraph 23 of the Counterclaim and therefore denies them.

19 24. Yahoo! denies the allegation in paragraph 24 of the Counterclaim and specifically
20 denies that it has committed any acts of infringement, induced others to infringe, or contributed
21 to infringement of the '949 patent.

22 25. Yahoo! denies the allegation in paragraph 25 of the Counterclaim and specifically
23 denies that it has committed any acts of infringement, denies that it has caused or will cause
24 damage to Facebook for which Facebook is entitled to recovery under 35 U.S.C. § 284, denies
25 that Facebook has been irreparably harmed, and denies that there is no remedy at law.

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1 **COUNT SIX**

2 **(ALLEGED INFRINGEMENT OF THE '978 PATENT)**

3 26. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
4 the Counterclaim as if fully set forth therein.

5 27. Yahoo! admits that what appears to be a copy of the '978 patent is attached as an
6 exhibit to Facebook's Counterclaim and that, on its face, the '978 patent is entitled "System and
7 Method for Dynamic Profiling of Users in One-to-One Applications" and issued on May 22,
8 2001. Yahoo! lacks knowledge or information sufficient to form a belief as to the truth of the
9 remaining allegations of paragraph 27 of the Counterclaim and therefore denies them.

10 28. Yahoo! denies the allegation in paragraph 28 of the Counterclaim and specifically
11 denies that it has committed any acts of infringement, induced others to infringe, or contributed
12 to infringement of the '978 patent.

13 29. Yahoo! denies the allegation in paragraph 29 of the Counterclaim and specifically
14 denies that it has committed any acts of infringement, denies that it has caused or will cause
15 damage to Facebook for which Facebook is entitled to recovery under 35 U.S.C. § 284, denies
16 that Facebook has been irreparably harmed, and denies that there is no remedy at law.

17 **COUNT SEVEN**

18 **(ALLEGED INFRINGEMENT OF THE '331 PATENT)**

19 30. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
20 the Counterclaim as if fully set forth therein.

21 31. Yahoo! admits that what appears to be a copy of the '331 patent is attached as an
22 exhibit to Facebook's Counterclaim and that, on its face, the '331 patent is entitled "System and
23 Method for Dynamic Profiling of Users in One-to-One Applications and for Validating User
24 Rules" and issued on October 13, 2009. Yahoo! lacks knowledge or information sufficient to
25 form a belief as to the truth of the remaining allegations of paragraph 31 of the Counterclaim and
26 therefore denies them.

1 **COUNT NINE**

2 **(ALLEGED INFRINGEMENT OF THE '896 PATENT)**

3 38. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
4 the Counterclaim as if fully set forth therein.

5 39. Yahoo! admits that what appears to be a copy of the '896 patent is attached as an
6 exhibit to Facebook's Counterclaim and that, on its face, the '896 patent is entitled "System for
7 Controlled Distribution of User Profiles Over a Network" and issued on August 23, 2011.
8 Yahoo! lacks knowledge or information sufficient to form a belief as to the truth of the
9 remaining allegations of paragraph 39 of the Counterclaim and therefore denies them.

10 40. Yahoo! denies the allegation in paragraph 40 of the Counterclaim and specifically
11 denies that it has committed any acts of infringement, induced others to infringe, or contributed
12 to infringement of the '896 patent.

13 41. Yahoo! denies the allegation in paragraph 41 of the Counterclaim and specifically
14 denies that it has committed any acts of infringement, denies that it has caused or will cause
15 damage to Facebook for which Facebook is entitled to recovery under 35 U.S.C. § 284, denies
16 that Facebook has been irreparably harmed, and denies that there is no remedy at law.

17 **COUNT TEN**

18 **(ALLEGED INFRINGEMENT OF THE '913 PATENT)**

19 42. Yahoo! admits that Facebook incorporates by reference paragraphs 1 through 4 of
20 the Counterclaim as if fully set forth therein.

21 43. Yahoo! admits that what appears to be a copy of the '913 patent is attached as an
22 exhibit to Facebook's Counterclaim and that, on its face, the '913 patent is entitled "System for
23 Controlled Distribution of User Profiles Over a Network" and issued on April 3, 2012. Yahoo!
24 lacks knowledge or information sufficient to form a belief as to the truth of the remaining
25 allegations of paragraph 43 of the Counterclaim and therefore denies them.

26 44. Yahoo! denies the allegation in paragraph 44 of the Counterclaim and specifically
27 denies that it has committed any acts of infringement, induced others to infringe, or contributed
28 to infringement of the '913 patent.

1 deleted prior to filing of the '456 application. The '456 application claimed priority to the '311
2 provisional. However, unlike the '311 provisional, the '456 application did not name Mr. Liauw
3 as an inventor.

4 57. PTO regulations require that “[i]f multiple inventors are named in a provisional
5 application, each named inventor must have made a contribution, individually or jointly, to the
6 subject matter disclosed in the provisional application.” 37 C.F.R. § 1.45(c). These regulations
7 further require that “deleting the name or names of the inventor or inventors” in a provisional
8 application requires, among other things “[a] statement by the person or persons whose name or
9 names are being deleted that the inventorship error occurred without deceptive intention on the
10 part of such person or persons.” 37 C.F.R. § 1.48(e). No such statement was provided by Mr.
11 Liauw in prosecution of the '311 provisional or the '456 application. In fact, even though the
12 '456 application was filed by the same attorney, contained all the subject matter disclosed in the
13 '311 provisional and claims virtually identical to those in the '311 provisional, and claimed
14 priority to the '311 provisional, the PTO was never informed by Mr. Thomas, by Mr. Cheah, or
15 by anyone else with a duty of candor toward the PTO that the subject matter of the '456
16 application was invented at least in part by Mr. Liauw.

17 58. On information and belief, Mr. Thomas and/or Mr. Cheah’s failure to disclose
18 Mr. Liauw’s inventive contribution to the PTO was intentional. Both Mr. Thomas and/or Mr.
19 Cheah filed the '311 provisional just one year prior to the filing of the '456 application. On
20 information and belief, Mr. Thomas and/or Mr. Cheah intentionally failed to disclose to the PTO
21 Mr. Liauw’s contribution to inventorship of the subject matter of the '456 application in order to
22 deceive the PTO into granting the '456 application, because without an affidavit from Mr.
23 Liauw, the '456 application could not have issued as a United States Patent. However, due to
24 Mr. Thomas and/or Mr. Cheah’s inequitable conduct, the '456 application issued as U.S. Patent
25 7,003,546 (“the '546 patent”), to which the '896 and '913 patents claim priority as purported
26 continuations.

27 59. The '896 and '913 patents contain all the substantive disclosures of the '311
28 provisional and claim priority to that provisional application. Yet Mr. Liauw was never named

1 as an inventor on either of these patents, and Mr. Liauw never submitted a declaration regarding
2 an error in inventorship in connection with prosecution of either of these patents or in
3 prosecution of the applications to which these patents claim priority. On information and belief,
4 to deceive the PTO regarding the fact that Mr. Liauw never submitted a “Deletion of Inventor”
5 declaration as required by PTO regulations, Mr. Thomas and/or Mr. Cheah submitted, in
6 connection with each of the ‘896 and ‘913 patents, a Transmittal Form stating that a
7 “DELETION OF INVENTOR(S)” Oath or Declaration was submitted in “[a] copy from a prior
8 application (37 CFR 1.63(d)).” This was false and deceptive, because no Oath or Declaration by
9 Mr. Liauw was ever submitted.

10 60. Upon information and belief, but for this intentional deception by Mr. Thomas
11 and/or Mr. Cheah, both of whom had a duty of candor towards the PTO in connection with
12 prosecution of the ‘896 and ‘913 patents, the PTO would not have issued the ‘896 and ‘913
13 patents due to the failure to name all inventors.

14 **Intentional Deception of the PTO Regarding the Addition of New Material to the ‘913 Patent**

15 61. The ‘913 and ‘896 patents are unenforceable due to inequitable conduct for a
16 separate reason: On information and belief, Mr. Thomas and/or Mr. Cheah intentionally
17 deceived the PTO regarding the addition of new matter highly material to the patentability of the
18 claims of the ‘913 patent in order to gain allowance of those claims. But for this intentional
19 deception, none of the claims of the ‘913 patent would have been granted.

20 62. The ‘913 patent claims priority as a purported continuation of five non-
21 provisional applications, the first of which was the ‘456 application. In particular, the ‘913
22 patent claims priority as a purported continuation of:

- 23 (1) U.S. Patent Application No. 12/818,092, filed on June 17,
24 2010, now the ‘896 patent;
- 25 (2) U.S. Patent Application No. 12/258,291, filed on October 24,
26 2008, now U.S. Patent No. 7,743,100 (“the ‘100 patent”);
- 27 (3) U.S. Patent Application No. 11/840,968 (“the ‘968
28 application”), filed on August 19, 2007, which is pending;
- (4) U.S. Patent Application No. 11/170,370, filed on June 28,
2005, now U.S. Patent No. 7,277,911 (“the ‘911 patent”);
and
- (5) U.S. Patent Application No. 09/417,456, filed on October 13,
1999, Now U.S. Patent No. 7,003,546 (“the ‘546 patent”).

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63. All of the issued patents listed above—the ‘546 patent, the ‘911 patent, the ‘100 patent, the ‘896 patent, and the ‘913 patent—were prosecuted by the same attorney (Mr. Thomas) and examined by the same PTO examiner, Bharat N. Barot. In fact, Mr. Thomas and Mr. Barot had corresponded regarding prosecution of purported continuations of the ‘456 application for nearly a decade, and Mr. Barot has examined *six separate* purported continuations of the ‘456 application (not including the ‘456 application itself, which Mr. Barot also examined).

64. On August 22, 2011, Mr. Thomas filed U.S. Patent Application No. 13/215,103 (“the ‘103 application”), the application that issued as the ‘913 patent. Every claim of the ‘103 application included, among others, the following limitations:

- (1) “allow a first registered user to identify other registered users via a user interface and to indicate a desire to establish an access relationship with the other registered users, wherein each access relationship allows the first registered user to access a user profile of an identified other registered user via the user interface and image content items of the identified other registered user via the user interface”;
- (2) “establish access relationships between the first registered user and the other registered users without requiring the other registered users to individually approve the access relationships”;
- (3) “allow the first registered user to select from the user interface the user profile of another registered user with respect to which an access relationship has been established with the first registered user, in response to which the networked server system provides to the selected user profile for display to the first registered *[sic]* in the user interface, wherein the selected user profile includes representations of at least some of the image content items associated with the selected user profile;”
- (4) “allow the first registered user to select and view one of the image content items in the user interface”; and
- (5) “allow the first registered user to interact with the selected image content item via the user interface.”

65. Neither the ‘311 provisional, nor the ‘546 patent, nor the ‘911 patent, nor the ‘968 application, nor the ‘100 patent, nor the ‘896 patent disclose at least the above limitations. In fact, none of these patents or their applications disclose anything resembling these and other limitations in the claims of the ‘103 application. In short, the claims of the ‘103 application

1 were very different than anything that had previously appeared in any of the applications and
2 patents to which the '103 application claimed priority.

3 66. On information and belief, Mr. Thomas and Mr. Cheah, who had been
4 continually prosecuting related patent applications that did not disclose any of the above
5 limitations for nearly a decade, were well aware that the claims they had drafted for the '103
6 application were not supported by the disclosure of the applications to which the '103
7 application claimed priority as a continuation.

8 67. On information and belief, Mr. Thomas and Mr. Cheah sought to remedy this
9 deficiency by adding new material to the '103 application that had never appeared in any of the
10 applications to which the '103 application claimed priority as a continuation. In particular, Mr.
11 Thomas and/or Mr. Cheah added the following new matter to the '103 application that had never
12 before appeared in the '311 provisional, the '546 patent, the '911 patent, the '968 application,
13 the '100 patent, or the '896 patent:¹

14 As a computer system that provides a service for controlled access over
15 a network to user profiles having associated image content provided by
16 registered users of the service, one embodiment of can, for example,
17 include a networked server system accessible by remote user devices
18 via the network, and at least one database accessible by the networked
19 server system and configured to store the user profiles of the registered
20 users, image content items associated with the user profiles, and
21 relationship data that specifies access relationships established between
22 the registered users. The networked server system comprising at least
23 one processor and at least one memory. The networked server system
24 can be programmed, via executable program instructions, to: (i) allow
25 users to register with the service and the registered users to each create
26 a user profile comprising profile information about the respective
registered user and a plurality of image content items of data types
corresponding to one or more of photo data or video data; (ii) allow a
first registered user to identify other registered users via a user
interface and to indicate a desire to establish an access relationship
with the other registered users, wherein each access relationship allows
the first registered user to access a user profile of an identified other
registered user via the user interface and image content items of the
identified other registered user via the user interface; (iii) establish
access relationships between the first registered user and the other
registered users without requiring the other registered users to
individually approve the access relationships; (iv) allow the first
registered user to select from the user interface the user profile of

27 ¹ Redlined comparisons of the disclosure of the '913 patent and each of the six applications to
28 which it claims priority are attached to this Answer as Exhibits A-1 through A-6.

1 another registered user with respect to which an access relationship has
2 been established with the first registered user, in response to which the
3 networked server system provides the selected user profile for display
4 to the first registered in the user interface, wherein the selected user
5 profile includes representations of at least some of the image content
6 items associated with the selected user profile; (v) allow the first
7 registered user to select and view one of the image content items in the
8 user interface; and (vi) allow the first registered user to interact with
9 the selected image content item via interactive controls of the user
10 interface.

11 As a method of providing a service for controlled access over a
12 network to user profiles having associated image content provided by
13 registered users of the service, the service provided using a networked
14 server system comprising at least one processor and at least one
15 memory and accessible by remote user devices via the network, one
16 embodiment of the method can, for example, include at least: (a)
17 allowing users to register with the service and the registered users to
18 each create a user profile comprising profile information about the
19 respective registered user and a plurality of image content items of data
20 types corresponding to one or more of photo data or video data; (b)
21 allowing a first registered user to identify other registered users via a
22 user interface and to indicate a desire to establish an access relationship
23 with the other registered users, wherein each access relationship allows
24 the first registered user to access a user profile of an identified other
25 registered user via the user interface and image content items of the
26 identified other registered user via the user interface; (c) establishing
27 access relationships between the first registered user and the other
28 registered users without requiring the other registered users to
individually approve the access relationships; (d) storing in at least one
database accessible by the networked server system (i) user profiles of
registered users, (ii) image content items provided by the registered
users and (iii) relationship data that specifies access relationships
established between the registered users; (e) allowing the first
registered user to select from the user interface the user profile of
another registered user with respect to which an access relationship has
been established with the first registered user, in response to which the
networked server system provides the selected user profile for display
to the first registered in the user interface, wherein the selected user
profile includes representations of at least some of the image content
items associated with the selected user profile; (f) allowing the first
registered user to select and view one of the image content items in the
user interface; and (g) allowing the first registered user to interact with
the selected image content item via interactive controls of the user
interface.

68. Had the above new matter not been added to the specification of the ‘103
application by Mr. Thomas and/or Mr. Cheah, the PTO would have rejected each every claim of
the ‘103 application as invalid under 35 U.S.C. § 112. Moreover, had Mr. Thomas and/or Mr.
Cheah notified the PTO of the addition of new matter—as was their obligation under PTO
regulations and their duty of candor to the PTO—the PTO would have rejected each every claim

1 of the '103 application as invalid under 35 U.S.C. §§ 112, 132, and/or 251. *See, e.g.*, MPEP §
2 2136.06. Alternatively (or additionally), the PTO would have assigned each and every claim a
3 priority date of August 22, 2011 (instead of October 13, 1998) and rejected these claims as
4 anticipated under 35 U.S.C. § 102 by numerous prior art references and systems.

5 69. On information and belief, Mr. Thomas and/or Mr. Cheah knew all of the above
6 to be true. However, on information and belief, at the time the '103 application was filed, Mr.
7 Thomas and/or Mr. Cheah also knew that the claims of the '546, '911, '100, and '896 patents
8 did not cover any popular social networking sites (such as, for example, Facebook) and wished
9 to remedy this deficiency in the '103 application. Moreover, on information and belief, at the
10 time of the filing of the '103 patent, Mr. Thomas and/or Mr. Cheah knew that the disclosure of
11 the applications to which the '913 patent claims priority did not support or enable the claim
12 scope Mr. Thomas and/or Mr. Cheah sought.

13 70. On information and belief, in an attempt to remedy both these deficiencies—
14 deficiencies in the claims of previously-issued patents and deficiencies in the disclosure of the
15 applications in the Cheah patent family—Mr. Thomas and Mr. Cheah drafted claims for the '103
16 application that did not resemble anything disclosed in previous applications and added the new
17 matter quoted above as purported support for these new claims. However, Mr. Thomas and Mr.
18 Cheah, despite knowing that new matter had been added to the '103 application and despite
19 knowing that this new matter was highly material to patentability of the claims of that
20 application, never disclosed the presence of any new matter to the PTO. To the contrary, Mr.
21 Thomas and/or Mr. Cheah filed documents with the PTO stating that the '103 application was a
22 “continuation” of the above-referenced applications—a representation that was false. *See, e.g.*,
23 MPEP 201.07 (“The disclosure presented in the continuation must be the same as that of the
24 original application, i.e., the continuation should not include anything which would constitute
25 new matter if inserted in the original application.”).

26 71. As a result of Mr. Thomas and Mr. Cheah’s intentional deception, the '913 patent
27 issued without any rejection by the PTO based on 35 U.S.C. § 112, and the PTO never
28 considered any prior art from the time period between October 13, 1998 and August 22, 2011.

1 Absent Mr. Thomas and Mr. Cheah’s inequitable conduct, none of the claims of the ‘913 patent
2 would have issued in their present form.

3 72. Every claim of the ‘913 patent is unenforceable due to inequitable conduct and
4 every claim of the ‘896 patent is unenforceable under the doctrine of infectious unenforceability.

5 **COUNTER-COUNTERCLAIMS**

6 Without admitting any of the allegations of the Complaint other than those expressly
7 admitted herein, and without prejudice to Yahoo!’s right to plead additional counterclaims as the
8 facts of the matter warrant, Yahoo! hereby asserts the following counter-counterclaims against
9 Facebook:

10 **PARTIES**

11 1. Counter-counterclaimant Yahoo! is a corporation organized under the laws of
12 Delaware, with its principal place of business at 701 1st Avenue, Sunnyvale, California, 94089.

13 2. Counter-counterclaim Defendant Facebook is a corporation organized under the
14 laws of Delaware, with its principal place of business at 1601 Willow Road, Menlo Park,
15 California, 94025.

16 **JURISDICTION AND VENUE**

17 3. By filing its Answer and Counterclaim, Facebook has consented to the personal
18 jurisdiction of this Court.

19 4. In view of the filing by Facebook of its Counterclaim and Yahoo!’s defenses,
20 there exists an actual and justiciable controversy between the parties regarding the validity,
21 enforceability, and alleged infringement of U.S. Patent No. 7,827,208 (the “‘208 patent”), U.S.
22 Patent No. 7,945,653 (the “‘653 patent”), U.S. Patent No. 6,288,717 (the “‘717 patent”), U.S.
23 Patent No. 6,216,133 (the “‘133 patent”), U.S. Patent No. 6,411,949 (the “‘949 patent), U.S.
24 Patent No. 6,236,978 (the “‘978 patent”), U.S. Patent No. 7,603,331 (the “‘331 patent”), U.S.
25 Patent No. 8,103,611 (the “‘611 patent”), U.S. Patent No. 8,005,896 (the “‘896 patent”), and
26 U.S. Patent No. 8,150,913 (the “‘913 patent”).
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1 **COUNT FOUR**

2 **Declaratory Judgment of Non-Infringement of U.S. Patent No. 6,216,133**

3 25. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
4 its Counter-Counterclaims, as set forth above.

5 26. Facebook has asserted claims against Yahoo! for alleged infringement of the ‘133
6 patent.

7 27. Yahoo! denies Facebook’s allegations of infringement.

8 28. An actual case or controversy exists between Yahoo! and Facebook as to whether
9 the ‘133 patent is infringed by Yahoo!.

10 29. A judicial declaration is necessary and appropriate so that Yahoo! may ascertain
11 its rights regarding the ‘133 patent.

12 30. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 et seq.,
13 Yahoo! is entitled to a judgment finding that Yahoo! has not and does not infringe, directly or
14 indirectly, either literally or under the doctrine of equivalents, any valid and enforceable claim of
15 the ‘133 Patent.

16 **COUNT FIVE**

17 **Declaratory Judgment of Non-Infringement of U.S. Patent No. 6,411,949**

18 31. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
19 its Counter-Counterclaims, as set forth above.

20 32. Facebook has asserted claims against Yahoo! for alleged infringement of the ‘949
21 patent.

22 33. Yahoo! denies Facebook’s allegations of infringement.

23 34. An actual case or controversy exists between Yahoo! and Facebook as to whether
24 the ‘949 patent is infringed by Yahoo!.

25 35. A judicial declaration is necessary and appropriate so that Yahoo! may ascertain
26 its rights regarding the ‘949 patent.

27 36. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 et seq.,
28 Yahoo! is entitled to a judgment finding that Yahoo! has not and does not infringe, directly or

1 indirectly, either literally or under the doctrine of equivalents, any valid and enforceable claim of
2 the '949 Patent.

3 **COUNT SIX**

4 **Declaratory Judgment of Non-Infringement of U.S. Patent No. 6,236,978**

5 37. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
6 its Counter-Counterclaims, as set forth above.

7 38. Facebook has asserted claims against Yahoo! for alleged infringement of the '978
8 patent.

9 39. Yahoo! denies Facebook's allegations of infringement.

10 40. An actual case or controversy exists between Yahoo! and Facebook as to whether
11 the '978 patent is infringed by Yahoo!.

12 41. A judicial declaration is necessary and appropriate so that Yahoo! may ascertain
13 its rights regarding the '978 patent.

14 42. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 et seq.,
15 Yahoo! is entitled to a judgment finding that Yahoo! has not and does not infringe, directly or
16 indirectly, either literally or under the doctrine of equivalents, any valid and enforceable claim of
17 the '978 Patent.

18 **COUNT SEVEN**

19 **Declaratory Judgment of Non-Infringement of U.S. Patent No. 7,603,331**

20 43. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
21 its Counter-Counterclaims, as set forth above.

22 44. Facebook has asserted claims against Yahoo! for alleged infringement of the '331
23 patent.

24 45. Yahoo! denies Facebook's allegations of infringement.

25 46. An actual case or controversy exists between Yahoo! and Facebook as to whether
26 the '331 patent is infringed by Yahoo!.

27 47. A judicial declaration is necessary and appropriate so that Yahoo! may ascertain
28 its rights regarding the '331 patent.

1 **COUNT THIRTEEN**

2 **Declaratory Judgment of Invalidity and Unenforceability of U.S. Patent No. 6,288,717**

3 79. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
4 its Counter-Counterclaims, as set forth above.

5 80. Facebook has asserted claims against Yahoo! for alleged infringement of the '717
6 patent.

7 81. Yahoo! denies Facebook's allegations of infringement and asserts that the '717
8 patent is invalid and unenforceable for the reasons stated in its affirmative defenses,
9 incorporated herein by reference.

10 82. An actual case or controversy exists between Yahoo! and Facebook as to whether
11 the claims of the '717 patent are invalid and unenforceable.

12 83. A judicial declaration is necessary and appropriate so that Yahoo! may ascertain
13 its rights as to whether the claims of the '717 patent are invalid and unenforceable.

14 84. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 et seq.,
15 Yahoo! is entitled to a judgment finding that the claims of the '717 patent are invalid and
16 unenforceable.

17 **COUNT FOURTEEN**

18 **Declaratory Judgment of Invalidity and Unenforceability of U.S. Patent No. 6,216,133**

19 85. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
20 its Counter-Counterclaims, as set forth above.

21 86. Facebook has asserted claims against Yahoo! for alleged infringement of the '133
22 patent.

23 87. Yahoo! denies Facebook's allegations of infringement and asserts that the '133
24 patent is invalid and unenforceable for the reasons stated in its affirmative defenses,
25 incorporated herein by reference.

26 88. An actual case or controversy exists between Yahoo! and Facebook as to whether
27 the claims of the '133 patent are invalid and unenforceable.

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1 **COUNT EIGHTEEN**

2 **Declaratory Judgment of Invalidity and Unenforceability of U.S. Patent No. 8,103,611**

3 109. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
4 its Counter-Counterclaims, as set forth above.

5 110. Facebook has asserted claims against Yahoo! for alleged infringement of the '611
6 patent.

7 111. Yahoo! denies Facebook's allegations of infringement and asserts that the '611
8 patent is invalid and unenforceable for the reasons stated in its affirmative defenses,
9 incorporated herein by reference.

10 112. An actual case or controversy exists between Yahoo! and Facebook as to whether
11 the claims of the '611 patent are invalid and unenforceable.

12 113. A judicial declaration is necessary and appropriate so that Yahoo! may ascertain
13 its rights as to whether the claims of the '611 patent are invalid and unenforceable.

14 114. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 et seq.,
15 Yahoo! is entitled to a judgment finding that the claims of the '611 patent are invalid and
16 unenforceable.

17 **COUNT NINETEEN**

18 **Declaratory Judgment of Invalidity and Unenforceability of U.S. Patent No. 8,005,896**

19 115. Yahoo! restates and incorporates by reference its allegations in paragraphs 1-6 of
20 its Counter-Counterclaims and paragraphs 55-72 of its defenses, as set forth above.

21 116. Facebook has asserted claims against Yahoo! for alleged infringement of the '896
22 patent.

23 117. Yahoo! denies Facebook's allegations of infringement and asserts that the '896
24 patent is invalid and unenforceable for the reasons stated in its affirmative defenses,
25 incorporated herein by reference.

26 118. An actual case or controversy exists between Yahoo! and Facebook as to whether
27 the claims of the '896 patent are invalid and unenforceable.

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1 Interaction on a Network,” which was duly and properly issued by the USPTO on April 26,
2 2011. A copy of the ‘903 patent is attached as Exhibit 1.

3 129. Upon information and belief, in violation of 35 U.S.C. § 271, Facebook is and
4 has been directly infringing the ‘903 patent by making, using, selling, and/or offering to sell in
5 the United States, or importing into the United States, products or processes that practice the
6 inventions claimed in the ‘903 patent, including without limitation, Facebook Ads. Facebook
7 has had knowledge of the ‘903 patent from at least February 27, 2012, when Yahoo! notified
8 Facebook of its infringement, and its infringement since at least that date has been willful.

9 130. As a result of Facebook’s unlawful infringement of the ‘903 patent, Yahoo! has
10 suffered and will continue to suffer damage. Yahoo! is entitled to recover from Facebook the
11 damages suffered by Yahoo! as a result of its unlawful acts.

12 131. On information and belief, Facebook intends to continue its unlawful infringing
13 activity, and Yahoo! continues to and will continue to suffer irreparable harm — for which there
14 is no adequate remedy at law — from such unlawful infringing activities unless this Court
15 enjoins Facebook from further infringing activities.

16 **COUNT TWENTY-TWO**

17 **Infringement of the ‘315 Patent**

18 132. Yahoo! realleges and incorporates by reference the allegations of Paragraphs 1-31
19 of its March 12, 2012 Complaint as though fully set forth herein.

20 133. Yahoo! is the owner of all rights, title, and interest in United States Patent No.
21 7,698,315 (“the ‘315 patent”), entitled “System and Method Allowing Advertisers to Manage
22 Search Listings in Pay for Placement Search System Using Grouping,” which was duly and
23 properly issued by the USPTO on April 13, 2010. A copy of the ‘315 patent is attached as
24 Exhibit 2.

25 134. Upon information and belief, in violation of 35 U.S.C. § 271, Facebook is and
26 has been directly infringing the ‘315 patent by making, using, selling, and/or offering to sell in
27 the United States, or importing into the United States, products or processes that practice the
28 inventions claimed in the ‘315 patent, including without limitation, Facebook Ads.

1 U.S.C. § 284 and that such damages be trebled in view of the willful and deliberate nature of the
2 infringement;

3 E. A judgment dismissing Facebook's Counterclaim against Yahoo! with
4 prejudice and costs, with Facebook taking nothing;

5 F. A declaration that Yahoo! has not and does not infringe, contribute to the
6 infringement of, or induce others to infringe, either directly or indirectly, any valid and
7 enforceable claim of the '208 patent.

8 G. A declaration that Yahoo! has not and does not infringe, contribute to the
9 infringement of, or induce others to infringe, either directly or indirectly, any valid and
10 enforceable claim of the '653 patent.

11 H. A declaration that Yahoo! has not and does not infringe, contribute to the
12 infringement of, or induce others to infringe, either directly or indirectly, any valid and
13 enforceable claim of the '717 patent.

14 I. A declaration that Yahoo! has not and does not infringe, contribute to the
15 infringement of, or induce others to infringe, either directly or indirectly, any valid and
16 enforceable claim of the '133 patent.

17 J. A declaration that Yahoo! has not and does not infringe, contribute to the
18 infringement of, or induce others to infringe, either directly or indirectly, any valid and
19 enforceable claim of the '949 patent.

20 K. A declaration that Yahoo! has not and does not infringe, contribute to the
21 infringement of, or induce others to infringe, either directly or indirectly, any valid and
22 enforceable claim of the '978 patent.

23 L. A declaration that Yahoo! has not and does not infringe, contribute to the
24 infringement of, or induce others to infringe, either directly or indirectly, any valid and
25 enforceable claim of the '331 patent.

26 M. A declaration that Yahoo! has not and does not infringe, contribute to the
27 infringement of, or induce others to infringe, either directly or indirectly, any valid and
28 enforceable claim of the '611 patent.

1 N. A declaration that Yahoo! has not and does not infringe, contribute to the
2 infringement of, or induce others to infringe, either directly or indirectly, any valid and
3 enforceable claim of the '896 patent.

4 O. A declaration that Yahoo! has not and does not infringe, contribute to the
5 infringement of, or induce others to infringe, either directly or indirectly, any valid and
6 enforceable claim of the '913 patent.

7 P. A declaration that every claim of the '208 patent is invalid and/or
8 unenforceable;

9 Q. A declaration that every claim of the '653 patent is invalid and/or
10 unenforceable;

11 R. A declaration that every claim of the '717 patent is invalid and/or
12 unenforceable;

13 S. A declaration that every claim of the '133 patent is invalid and/or
14 unenforceable;

15 T. A declaration that every claim of the '949 patent is invalid and/or
16 unenforceable;

17 U. A declaration that every claim of the '978 patent is invalid and/or
18 unenforceable;

19 V. A declaration that every claim of the '331 patent is invalid and/or
20 unenforceable;

21 W. A declaration that every claim of the '611 patent is invalid and/or
22 unenforceable;

23 X. A declaration that every claim of the '896 patent is invalid and/or
24 unenforceable;

25 Y. A declaration that every claim of the '913 patent is invalid and/or
26 unenforceable;

27 Z. A declaration that this case is exceptional and an award to Yahoo! of its
28 reasonable costs and expenses of litigation, including attorneys' fees and expert witness fees; and,

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AA. That Yahoo! be granted such other and additional relief as the Court deems just and proper.

DATED: April 27, 2012

Respectfully submitted,

By: /s/ Kevin A. Smith
Charles K. Verhoeven
Jennifer A. Kash
Kevin A. Smith
Quinn Emanuel Urquhart & Sullivan LLP
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San Francisco, CA 94111
Telephone: 415-875-6600

Attorneys for Plaintiff Yahoo! Inc.

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DEMAND FOR JURY TRIAL

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiff Yahoo! hereby demands a trial by jury as to all issues so triable.

DATED: April 27, 2012

Respectfully submitted,

By /s/ Kevin A. Smith
Charles K. Verhoeven
Jennifer A. Kash
Kevin A. Smith
Quinn Emanuel Urquhart & Sullivan LLP
50 California Street, 22nd Floor
San Francisco, CA 94111
Telephone: 415-875-6600

Attorneys for Plaintiff Yahoo! Inc.

1 **CERTIFICATE OF SERVICE**

2 I, Kevin A. Smith, declare under penalty of perjury under the laws of the State of
3 California and the United States that the following is true and correct:

4 On April 27, 2012, I caused to be served the following document(s):

5 **PLAINTIFF YAHOO! INC.'s REPLY AND COUNTER COUNTERCLAIMS TO**
6 **DEFENDANT FACEBOOK, INC.'S ANSWER; COUNTERCLAIM AGAINST**
7 **FACEBOOK, INC FOR DECLARATORY JUDGMENT OF NON-**
INFRINGEMENT

8 via electronic mail to the following parties:

9 Michael Graham Rhodes (rhoedsmg@cooley.com)
Heidi Keefe (hkeefe@cooley.com)
10 Joseph Haag (joseph.haag@wilmerhale.com)
Mark Selwyn (mark.selwyn@wilmerhale.com)
11 Mark Weinstein (mweinstein@cooley.com)
12 Stephen Neal (nealsc@cooley.com)

13 via U.S. Mail to the following parties:

14 Cynthia D. Vreeland
Lee F. William
15 Wilmer Cutler Pickering Hale and Dorr LLP
16 60 State Street
Boston, MA 02109

17 Dated: April 27, 2012

/s/ Kevin A. Smith

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