UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

VISUAL INTERACTIVE PHONE CONCEPTS, INC., a Nevada Corporation,

Plaintiff,

vs.

GOOGLE, INC., a Delaware Corporation,

Defendant.

Case No. 11-cv-12348

Hon. Lawrence P. Zatkoff

Mag. Laurie Michelson

VIPC'S MOTION TO DISMISS GOOGLE'S COUNTERCLAIMS AND STRIKE AFFIRMATIVE DEFENSES

MANTESE HONIGMAN ROSSMAN and WILLIAMSON, P.C.
Attorneys for Plaintiff
Gerard V. Mantese (P34424)
gmantese@manteselaw.com
Ian M. Williamson (P65056)
iwilliamson@manteselaw.com
Brendan H. Frey (P70893)
bfrey@manteselaw.com
1361 E. Big Beaver Road
Troy, MI 48083
(248) 457-9200 (telephone)
(248) 457-9201 (facsimile)

KOHN & ASSOCIATES, PLLC
Attorneys for Plaintiff
Kenneth I. Kohn (P35170)
k.kohn@kohnandassociates.com
Barbara Mandell (P36437)
b.mandell@kohnandassociates.com
30500 Northwestern Hwy, Suite 410
Farmington Hills, MI 48334
(248) 539-5050 (telephone)
(248) 539-5055 (facsimile)

DICKINSON WRIGHT PLLC
Attorneys for Defendant
Michelle L. Alamo (P60684)
MAlamo@dickinsonwright.com
500 Woodward Ave, Suite 4000
Detroit, MI 48226
(313) 223-3500 (telephone)
(313) 223-3598 (facsimile)

ISSUES PRESENTED

Defendant Google's Counterclaims should be dismissed and its Affirmative Defenses stricken in their entirety due to Defendant's failure to support its pleadings with any factual allegations.

CONTROLLING AND MOST APPROPRIATE AUTHORITY

CASE LAW

Ashcroft v. Iqbal, 129 S. Ct. 1937 (2009)

Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)

Directv, Inc. v. Treesh, 487 F.3d 471 (6th Cir. 2007)

Dura Operating Corp. v. Magna Int'l, 2011 U.S. Dist. LEXIS 24485 (E.D. Mich. 2011)

Lawrence v. Chabot, 182 Fed. App'x 442 (6th Cir. 2006)

Prestige Pet Products, Inc. v. Pingyang Huaxing Leather & Plastic Co. LTD., et al., 767 F. Supp. 2d 806 (E.D. Mich. 2011)

Safeco Ins. Co. of America v. O'Hara Corp., 2008 U.S. Dist. LEXIS 48399 (E.D. Mich. 2008)

FEDERAL RULES OF CIVIL PROCEDURE

Fed. R. Civ. P. 8

Fed. R. Civ. P. 12(b)(6)

Fed. R. Civ. P. 12(f)

CERTIFICATE OF INABILITY TO OBTAIN CONCURRENCE

I, Brendan H. Frey, certify that on September 15, 2011, in an effort to obtain concurrence with the relief requested, a telephone conference was held with Michelle Alamo, counsel for Defendant, wherein notice of the following motion was provided, including the relief requested and the legal basis, and concurrence was requested. I did not obtain concurrence in the relief sought.

s/Brendan H. Frey
Brendan H. Frey (P70893)
MANTESE HONIGMAN ROSSMAN AND WILLIAMSON, P.C.
Attorneys for Visual Interactive Phone Concepts, Inc.

Dated: September 15, 2011

PLAINTIFF'S MOTION TO DISMISS GOOGLE'S COUNTERCLAIMS PURSUANT TO *FED. R. CIV. P. 12(b)(6)* AND TO STRIKE AFFIRMATIVE DEFENSES PURSUANT TO *FED. R. CIV. P. 12(f)* AND BRIEF IN SUPPORT

I. INTRODUCTION AND BACKGROUND

This case involves Google, Inc.'s ("Google's") infringement of two patents owned by Plaintiff, Visual Interactive Phone Concepts, Inc. ("VIPC"). As set forth in the Complaint, VIPC's U.S. Patents Nos. 5,606,361 and 5,724,092 (the "patents-in-suit") cover a "videophone interactive mailbox facility system and method of processing information." The invention disclosed in the patents facilitates transactions carried out through the use of a system that includes, to summarize, (1) a video-capable telephone handset for viewing information and for inputting information related to transactions, (2) a data center that collects and stores information relating to commercial transactions, and, in some cases, (3) a "vendor station" capable of transmission and receipt of vendor information to or from the central data center.

Google makes, uses, and sells a system that infringes the VIPC patents. To summarize, at least since 2009, Google has jointly developed and/or overseen the development of several different video-capable wireless telephone handsets, such as the Nexus One and Nexus S handsets, which are videophones as described in the patents. Google develops and supports a mobile operating system known as Android that is installed on the Nexus One, Nexus S, and many other video-capable wireless handsets. Google's Android Market sells various games and mobile handset applications, and also offers video content such as feature films for rent or purchase by Android Market customers. Operators of video-capable wireless handsets running variants of the Android operating system, including Google's agents, may initiate transactions from such handsets to make purchases of goods from the Google Android Market. These

transactions are routed through Google's data center, which collects and stores transaction information.

As further set-forth in the Complaint, during June and July 2008, anonymous reexamination requests were filed on both of VIPC's patents. Following the U.S. Patent and Trademark Office's ("USPTO's") reexamination, the patents were affirmed, with only minor, clarifying amendments added to the claims. On April 6, 2010, a reexamination certificate issued for the '361 Patent. On May 11, 2010, a reexamination certificate issued for the '092 Patent.

Thus, on two separate occasions, VIPC's Patents have been thoroughly examined by the USPTO's expert examiners who have found the patents to be valid and properly issued. VIPC's patents are "presumed valid" and Google has the burden of proving any invalidity claim or defense by clear and convincing evidence. *Microsoft Corporation v. i4i Limited Partnership, et al.*, 131 S. Ct. 2238 (2011); 35 U.S.C. § 282. Nonetheless, on August 22, 2011, Google filed counterclaims and affirmative defenses (Ex 1, affirmative defenses 2 & 3) asserting invalidity and/or unenforceability as to both patents-in-suit, yet failed to assert a single fact supporting its conclusory allegations, and failed to cite any prior art. (Ex 1, *Answer, Affirmative Defenses, and Counterclaims*). Google also asserts counterclaims and affirmative defenses (Ex 1, affirmative defenses 1 & 6) of non-infringement as to both patents-in-suit, along with the following affirmative defenses, none of which is supported by any substantive factual allegations:

4. VIPC's claim for damages, if any, against Google for alleged infringement of the '361 and '092 patents is limited by 35 U.S.C. §§ 286, 287, and/or 288.

5. On information and belief, VIPC's claims for relief are barred, in whole or in part, by the equitable doctrines of laches and estoppels.

* * *

7. VIPC is partially or wholly barred from the relief sought because of Parker Hannifin's intervening rights under 35 U.S.C. §§ 252 & 307(b).

8. VIPC is not entitled to injunctive relief because any alleged injury to VIPC is not immediate or irreparable, and VIPC has an adequate remedy at law.[1]

(Ex 1, *Answer, Affirmative Defenses, and Counterclaims*).

Google's counterclaims must be dismissed because they fail to set-forth facts sufficient to demonstrate a plausible entitlement to relief. *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007); *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009). Furthermore, the same standard must be applied to Google's counterclaims when re-cast as affirmative defenses. *Fed. R. Civ. P. 8(c)(2)* provides that if a party designates a counterclaim as a defense, "the court must, if justice requires, treat the pleading as though it were correctly designated." Google should not be permitted to cloak a counterclaim in the guise of an affirmative defense in an attempt to escape the *Twombly/Iqbal* pleading standard. Thus, the *Twombly/Iqbal* standard must be applied to Google's second and third affirmative defenses and those defenses should be stricken due to Google's failure to allege more than a conclusory recitation of a cause of action. *Twombly*, 550 U.S. at 555; *Iqbal*, 129 S. Ct. at 1949.

Finally, while it is an open question whether the *Twombly/Iqbal* standard applies to

[1] Google's affirmative defense number 8 is not really a defense. "Affirmative defenses are more than simple denials and should not merely negative elements that a plaintiff must prove." *Bartashnik v. Bridgeview Bancorp, Inc.,* 2005 U.S. Dist. LEXIS 33657, *14-15 (N.D. Ill. Dec. 15, 2005) (Ex 15)

affirmative defenses in general, if this Court determines that it does, as a majority of courts have, Google's affirmative defenses set-forth above, including those alleging invalidity and non-infringement, must be stricken for failure to set-forth more than boilerplate recitations of legal conclusions. *Safeco Ins. Co. of America v. O'Hara Corp.*, 2008 U.S. Dist. LEXIS 48399 (E.D. Mich. 2008) (J. Cleland) (Ex 2); *Nixon v. The Health Alliance*, 2010 U.S. Dist. LEXIS 133177, *6-7 (S.D. Ohio 2010) (Ex 3).

II. ARGUMENT

A. The *Twombly/Iqbal* standard requires dismissal of Google's counterclaims.

"Courts apply the law of the regional circuits to motions to dismiss and other procedural matters, rather than that of the Federal Circuit." *Prestige Pet Products, Inc. v. Pingyang Huaxing Leather & Plastic Co. LTD.*, et al., 767 F. Supp. 2d 806, 808 (E.D. Mich. 2011) (J. Cleland) (citing *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1355-56 (Fed. Cir. 2007)). When ruling on a motion to dismiss pursuant to Rule 12(b)(6), the Court "need not accept as true legal conclusions or unwarranted factual inferences." *Directv, Inc. v. Treesh*, 487 F.3d 471, 476 (6th Cir. 2007) (citations omitted). "To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim for relief that is plausible on its face.'" *Iqbal*, 129 S. Ct. at 1949 (quoting *Twombly*, 550 U.S. at 570). "Though decidedly generous, this standard of review does require more than the bare assertion of legal conclusions." *Prestige Pet Products*, 767 F. Supp.2d at 808. "A formulaic recitation of a cause of action's elements will not do." *Twombly*, 550 U.S. at 555 (citing *Fed. R. Civ. P. 8(a)*).

The *Twombly/Iqbal* pleading standard applies to all claims, including counterclaims. *Anticancer, Inc. v. Xenogen Corp., et al.*, 248 F.R.D. 278, 282 (S.D. Cal. 2008) ("in this patent

infringement action, parties must demonstrate a plausible entitlement to relief in all pleadings, including claims, counterclaims, cross-claims, third party claims, and separate affirmative defenses.") See also, *Dura Operating Corp. v. Magna Int'l*, 2011 U.S. Dist. LEXIS 24485, *15-17 (E.D. Mich. 2011) (J. Cox) (applying *Twombly/Iqbal* to a patent counterclaim) (Ex 4); *Sharif v. Sharif*, 2010 U.S. Dist. LEXIS 86853, *4-9 (E.D. Mich. 2010) (J. Page Hood) (applying *Twombly/Iqbal* to a counterclaim) (Ex 5); *Hollingsworth Logistics Group, LLC v. Equipment Leasing, LLC*, 2010 U.S. Dist. LEXIS 115540 (E.D. Mich. 2010) (J. Duggan) (applying *Twombly/Iqbal* to a counterclaim) (Ex 6).

Some U.S. District Courts have had difficulty reconciling the *Twombly/Iqbal* standard with *Form 18* of the *Federal Rules of Civil Procedure*. However, the fact that the *Twombly/Iqbal* standard applies to pleadings in patent cases does not appear to have ever been in doubt in this District. See *Prestige Pet Products*, 767 F.Supp.2d 806 (J. Cleland); *Dura Operating Corp.*, 2011 U.S. Dist. LEXIS 24485 (J. Cox) (Ex 4); *Magna Mirrors v. Dura Global Tech, LLC*, 2011 U.S. Dist. LEXIS 30534 (E.D. Mich. 2011) (J. Cohn) (Ex 7). Even if the *Twombly/Iqbal* standard is trumped by Form 18, Form 18 only addresses claims of direct infringement. Thus, the *Twombly/Iqbal* standard must be applied to Google's counterclaims.

Indisputably, Google's counterclaims contain nothing more than "the bare assertion of legal conclusions." *Prestige Pet Products*, *supra* at 808. Application of the *Iqbal/Twombly* standard requires dismissal of Google's counterclaims in their entirety. See, e.g., *Genetic Techs. LTD v. Interleukin Genetics Inc.*, 2010 U.S. Dist. LEXIS 87238 (W.D. Wis. 2010) (dismissing counterclaim similar to Google's which alleged that the claims "are all invalid and/or unenforceable under one or more of *35 U.S.C. § 101, 102, 103 and 112*" because the "court

cannot treat this conclusory statement as true") (Ex 8); see also, *Groupon Inc. v. MobGob LLC*, 2011 U.S. Dist. LEXIS 56937, *10, 12-13 (N.D. Ill. May 25, 2011) ("MobGob claims that the patent is invalid, but rather than providing Groupon with notice of the basis for its claims, it simply cites a whole series of statutory provisions that address a number of topics. . . . In other words, its claims of invalidity are not plausible. They are merely possible. This is not enough to survive a *Rule 12(b)(6)* motion to dismiss.") (Ex 9)

As noted above, Google's invalidity counterclaims assert that the patents are "invalid and/or unenforceable." The sparse nature of the pleading makes it impossible to conclusively determine if Google intends "unenforceable" as just another way to say "invalid", or if Google intends its "unenforceability" claim to include an allegation of inequitable conduct. If it is the later, Google needs to plead inequitable conduct with particularity under *Rule 9(b)*. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328 (Fed. Cir. 2009). In either case, additional information is needed to provide VIPC with fair notice of the basis for Google's claims.

As discussed below, Google's invalidity and non-infringement defenses should be stricken. However, in the event this Court declines to strike the defenses, Google's counterclaims of non-infringement and invalidity should be dismissed because they are duplicative of Google's defenses. *United States of America v. Carmelo Zanfei, et al.*, 353 F. Supp. 2d 962, 965 (N.D. Ill. 2005) ("The Court's imposition of a declaratory judgment in this matter would be futile because Paradigm's counterclaim is repetitious and unnecessary: it merely restates an issue already before this Court. 'It is well settled that such repetitious and unnecessary pleadings should be stricken.'"); see also, *Southwest Windpower, Inc. v. Imperial Electric, Inc.*, 2011 U.S. Dist. LEXIS 15140, *9 (D. Az. February 4, 2011) (". . . counterclaims for

declaratory relief are improper if 'repetitious of issues already before the court via the complaint o[r] affirmative defenses.'") (citations omitted) (Ex 10).

Furthermore, Google's counterclaims and defenses of non-infringement are repetitious of its denials of Plaintiff's Complaint and should be dismissed based on the standard cited above from *Zanfei* and *Imperial Electric*. 353 F. Supp. 2d at 965; and, 2011 U.S. Dist. LEXIS 15140, *9 (" . . . counterclaims for declaratory relief are improper if 'repetitious of issues already before the court via the complaint o[r] affirmative defenses.'") The *Zanfei* Court provided an example from *Green Bay Packaging, Inc. v. Hoganson & Assoc., Inc.*, 362 F. Supp. 78 (N.D. Ill. 1973) that is very similar to the situation raised by Defendant's counterclaims of non-infringement in this case, holding as follows:

> For example, in *Green Bay Packaging*, the plaintiff sought a judgment declaring it was not liable to defendant for certain commissions on sales of the plaintiff's products. *Green Bay Packaging*, 362 F. Supp. at 80-81. In its counterclaim, the defendant sought declaratory judgment for, among other things, a ruling on the identical issue as the plaintiff had asserted in his complaint but with the opposite effect. *Id.* The district judge, now Seventh Circuit Judge William J. Bauer, granted the plaintiff's motion to dismiss portions of the counterclaim because they 'merely restate an issue already before this Court.' *Id.* at 82.

Zanfei, at 965.

Zanfei also quotes the Seventh Circuit decision from *Tenneco Inc. v. Saxony Bar & Tube, Inc.*, 776 F.2d 1375, 1379 (7th Cir. 1985), holding as follows:

> 'The label 'counterclaim' has no magic. What is really an answer or defense to a suit does not become an independent piece of litigation because of its label. . . . When the original complaint puts in play all of the factual and legal theories, it makes no difference whether another party calls its pleadings counterclaims, affirmative defenses, or anything else. The original complaint brought the dispute into court, and the parties to that complaint are parties to each aspect of the imbroglio.

Zanfei, at 965. Defendant's non-infringement counterclaims and defenses should be dismissed

because they are futile and repetitious.

B. Google's affirmative defenses should be stricken.

A majority of Courts have found that the *Twombly/Iqbal* standard applies to affirmative defenses. See, e.g., *Dann v. Lincoln Nat'l Corp.*, 2011 U.S. Dist. LEXIS 13089, *15 n. 6 (E.D. Pa. Feb. 10, 2011) ("A majority of courts have held that *Twombly's* plausibility standard does apply to affirmative defenses.") (String cite omitted) (Ex 11); *Safeco Ins. Co. of America*, *supra*, 2008 U.S. Dist. LEXIS 48399 (J. Cleland) (Ex 2); *United States of America v. Aldo Rinaldo Quadrini, et al.*, 2007 U.S. Dist. LEXIS 89722 (E.D. Mich. December 6, 2007) (Mag. Judge Pepe) (Ex 12) (affirmed in part and abrogated in part on other grounds at 2008 U.S. Dist. LEXIS 29746 (E.D. Mich. April 11, 2008) (J. Feikens); but *cf.*, *Hahn v. Best Recovery Services, LLC, et al.*, 2010 U.S. Dist. LEXIS 116136 (E.D. Mich. November 1, 2010) (J. Duggan, declining to apply the *Twombly/Iqbal* standard to affirmative defenses) (Ex 13).

In *Quadrini*, *supra*, Magistrate Judge Steven D. Pepe explained that based on the pre-*Twombly* standard for addressing Motions to Strike affirmative defenses, the *Twombly* standard must also apply to affirmative defenses, holding as follows:

> A three part test has been developed to determine whether a federal court should strike an affirmative defense: '(1) the matter must be properly pleaded as an affirmative defense; (2) the matter must be adequately pleaded under the requirements of *Federal Rules of Civil Procedure 8* and *9*; and (3) the matter must withstand a *Rule 12(b)(6)* challenge. . . .' *Williams v. Provident Investment Counsel, Inc.*, 279 F. Supp. 2d 894, 904-05 (N.D. Ohio 2003).
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> ***
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> [The] clarification by the Supreme Court that a plaintiff must plead sufficient facts to demonstrate a plausible claim, or one that has a 'reasonably founded hope' of success, cannot be a pleading standard that applies only to plaintiffs. It must also apply to defendants in pleading affirmative defenses, otherwise a court could not make a *Rule 12(f)* determination on whether an affirmative

> defense is adequately pleaded under *Rules 8* and *9* and could not determine whether the affirmative defense would withstand a *Rule 12(b)(6)* challenge. Thus, a wholly conclusory affirmative defense is not sufficient. Like the plaintiff, a defendant also must plead sufficient facts to demonstrate a plausible affirmative defense, or one that has a 'reasonably founded hope' of success.

Quadrini, supra, at *8-9, 11-12 (Ex 12).

Judge Robert Cleland has also explained that "[b]oilerplate defenses clutter the docket and, further, create unnecessary work. Opposing counsel generally must respond to such defenses with interrogatories or other discovery aimed at ascertaining which defenses are truly at issue and which are merely asserted without factual basis but in an abundance of caution." *Safeco Ins. Co., supra*, at *2-3 (Ex 2). Thus, Judge Cleland held that affirmative defenses pled without factual support should be stricken, noting that *Rule 15* allows for appropriate amendments. *Id.*; see also, *Sloan Valve Company v. Zurn Industries, Inc., et al.*, 712 F. Supp. 2d 743, 755 (N.D. Ill. 2010) ("Zurn has failed to adequately plead estoppel . . . in accordance with *Rule 8* because Zurn offers no allegations in support thereof and has not provided any minimal specifics in its pleading to provide Sloan with notice of how and in what way its defenses arise.")

When addressing pleadings similar to Google's in this case, which fail to state any facts in support of the alleged defenses, some courts have declined to answer whether the *Twombly/Iqbal* standard applies, because the defenses should be stricken under the pre-*Twombly* standard. See *Ruffin v. Frito-Lay, Inc.*, 2010 U.S. Dist. LEXIS 66268, *3-7 (E.D. Mich. June 10, 2010) ("I suggest that in this case the result would be the same under either standard.") (Mag. Judge Binder) (Ex 14). "In other words, when an affirmative defense omits a short and plain statement of facts entirely and fails totally to allege the necessary elements of

the claim, it has not satisfied the pleading requirements of the Federal Rules." *Dann, supra*, 2011 U.S. Dist. LEXIS 13089 at *18 (Ex 11); see also, *Bartashnik v. Bridgeview Bancorp, Inc.*, 2005 U.S. Dist. LEXIS 33657, *14 (N.D. Ill. Dec. 15, 2005) (Ex 15) ("waiver, estoppel and laches 'are equitable defenses that must be pled with the specific elements required to establish the defense.' . . . Courts have 'consistently struck' these defenses when they are insufficiently pled.") (internal citations omitted). Under either the *Twombly* or pre-*Twombly* standard, Google's affirmative defenses should be stricken because they contain nothing more than bare bones conclusory allegations.

CONCLUSION

Google has failed to support is counterclaims and affirmative defenses with any factual allegations. Thus, Google's counterclaims must be dismissed and its affirmative defenses should be stricken in their entirety.

Respectfully submitted,

MANTESE HONIGMAN ROSSMAN
and WILLIAMSON, P.C.
Attorneys for VIPC

s/ Gerard V. Mantese
Gerard V. Mantese (P34424)
gmantese@manteselaw.com
Ian M. Williamson (P65056)
iwilliamson@manteselaw.com
Brendan H. Frey (P70893)
bfrey@manteselaw.com
1361 E. Big Beaver Road
Troy, MI 48083
(248) 457-9200 (telephone)

KOHN & ASSOCIATES, PLLC
Attorneys for Plaintiff
Kenneth I. Kohn (P35170)

k.kohn@kohnandassociates.com
Barbara Mandell (P36437)
b.mandell@kohnandassociates.com
30500 Northwestern Hwy, Suite 410
Farmington Hills, MI 48334
(248) 539-5050 (telephone)
(248) 539-5055 (facsimile)

Dated: September 15, 2011

CERTIFICATE OF SERVICE

I, Sherri Sikorski, hereby certify that on September 15, 2011, I electronically filed Plaintiff's Motion to Dismiss Google's Counterclaims Pursuant to *Fed R. Civ. P. 12(b)(6)* and to Strike Affirmative Defenses Pursuant to *Fed. R. Civ. P. 12(f)* and Brief in Support with the Clerk of the Court using the ECF system which will send notification of such filing to counsel of record.

s/Sherri Sikorski
Sherri Sikorski

Dated: September 15, 2011