

NATURE OF THIS ACTION

1. PSET admits that Microsoft has brought an action for declaratory judgment under the Declaratory Judgment Act, 28 U.S.C. §§2201-2202, and that such action arises under the Patent Laws of the United States, Title 35, United States Code. However, PSET denies that the claims of U.S. Patent No. 7,043,450 are either invalid or not infringed or unenforceable.

PARTIES

2. PSET admits the allegations of Paragraph 2 of the Counterclaims.
3. PSET admits the allegations of Paragraph 3 of the Counterclaims.

JURISDICTION AND VENUE

4. PSET admits the allegations of Paragraph 4 of the Counterclaims.
5. PSET admits the allegations of Paragraph 5 of the Counterclaims.
6. PSET admits the allegations of Paragraph 6 of the Counterclaims.

FACTUAL BACKGROUND

7. PSET admits the allegations of Paragraph 7 of the Counterclaims.
8. PSET admits the allegations of Paragraph 8 of the Counterclaims.

COUNT I

9. PSET repeats and incorporates by reference its replies set forth in Paragraphs 1-8 herein.

10. PSET denies the allegations of Paragraph 10 of the Counterclaims.

COUNT II

11. PSET repeats and incorporates by reference its replies set forth in Paragraphs 1-10 herein.

12. PSET denies the allegations of Paragraph 12 of the Counterclaims.

COUNT III

13. PSET repeats and incorporates by reference its replies set forth in Paragraphs 1-12 herein.

14. PSET denies the allegations of Paragraph 14 of the Counterclaims

WHEREFORE, PSET prays for and demands the following relief:

- A. That Microsoft's Amended Counterclaims be dismissed with prejudice and that judgment be entered for PSET;
- B. That Microsoft take nothing by its Counterclaims;
- C. PSET be awarded its costs and attorneys fees in defending against Microsoft's Amended Counterclaims; and,
- D. For such other and further relief as the Court deems just and proper.

Respectfully submitted,

Dated: December 29, 2008

/s/ Elizabeth L. DeRieux
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **PLAINTIFF, PAID SEARCH ENGINE TOOLS, LLC'S, REPLY TO MICROSOFT CORP.'S AMENDED COUNTERCLAIMS FILED 12/17/2008** was served via the court's electronic filing system to all counsel of record this 29th day of December, 2008.

/s/ Elizabeth L. DeRieux _____