

**IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

PARALLEL NETWORKS, LLC,

Plaintiff,

v.

ADIDAS AMERICA, INC., et al.,

Defendants.

6:10-CV-00491

JURY TRIAL DEMANDED

**CITIZEN WATCH'S ANSWER AND COUNTERCLAIM TO PARALLEL
NETWORKS' ORIGINAL COMPLAINT FOR PATENT INFRINGEMENT**

Defendant Citizen Watch Company of America, Inc., (“Citizen Watch”) files this Answer and Counterclaim to Plaintiff Parallel Networks, LLC’s (“Parallel Networks”) Original Complaint for Patent Infringement (“Complaint”). Citizen Watch denies the allegations and characterizations in Parallel Networks’ Complaint unless expressly admitted in the following paragraphs:

1. Citizen Watch lacks knowledge sufficient to confirm or deny the allegations of Paragraph 1 and therefore denies the same.

2–20. Paragraphs 2 through 20 do not require a response by Citizen Watch. To the extent that Paragraphs 2 through 20 are deemed to require a response, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations and therefore denies the same.

21. Citizen Watch admits that it is a corporation with a place of business in Torrance, California.

22–61. Paragraphs 22 through 61 do not require a response by Citizen Watch. To the extent that Paragraphs 22 through 61 are deemed to require a response, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations and therefore denies the same.

JURISDICTION AND VENUE

62. Citizen Watch admits that this action arises under the patent laws of the United States, Title 35 of the United States Code and that this Court has subject matter jurisdiction of this action under 28 U.S.C. §§ 1331 and 1338(a). Citizen Watch admits that it is subject to this Court's specific and general jurisdiction but denies it is due to any alleged infringement. Citizen Watch further lacks knowledge sufficient to confirm or deny the allegations against the other defendants and therefore denies the same. Except as expressly admitted herein, Citizen Watch denies each and every allegation of Paragraph 62.

63. Citizen Watch admits that venue is proper under 28 U.S.C. §§ 1391(b), 1391(c) and 1400(b), but denies that venue is convenient. Citizen Watch admits that it is subject to personal jurisdiction in the Eastern District of Texas but denies it is due to any alleged infringement. Citizen Watch lacks knowledge sufficient to confirm or deny the allegations against the other defendants and therefore denies the same. Except as expressly admitted herein, Citizen Watch denies each and every allegation of Paragraph 63.

COUNT I

INFRINGEMENT OF U.S. PATENT NO. 6,446,111

64. Citizen Watch admits that U.S. Patent No. 6,446,111 (the "'111 Patent") issued on September 3, 2002. Citizen Watch denies that the '111 Patent was duly and legally issued. Except as expressly admitted herein, Citizen Watch denies each and every allegation of Paragraph 64.

65. Citizen Watch lacks knowledge sufficient to confirm or deny the allegations of Paragraph 65 and therefore denies the same.

66. Paragraph 66 does not require a response by Citizen Watch because the claims of the asserted patent speak for themselves. To the extent that Paragraphs 66 is deemed to require a response, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations and therefore denies the same.

67–138. Paragraphs 67 through 138 do not require a response by Citizen Watch. To the extent that Paragraphs 67 through 138 are deemed to require a response, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations and therefore denies the same.

139. Citizen Watch denies the allegations of Paragraph 139.

140. Citizen Watch denies the allegations of Paragraph 140.

141. Citizen Watch denies the allegations of Paragraph 141.

142. Citizen Watch denies the allegations of Paragraph 142.

143–302. Paragraphs 143 through 302 do not require a response by Citizen Watch. To the extent that Paragraphs 143 through 302 are deemed to require a response, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations and therefore denies the same.

303. Citizen Watch denies the allegations of Paragraph 303 directed at Citizen Watch. To the extent that Paragraph 303 is deemed to require a response with respect to the other Defendants, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations and therefore denies the same. Except as expressly admitted herein, Citizen Watch denies each and every allegation of Paragraph 303.

304. Citizen Watch denies the allegations of Paragraph 304 directed at Citizen Watch. To the extent that Paragraph 304 is deemed to require a response with respect to the other Defendants, Citizen Watch lacks knowledge sufficient to confirm or deny the allegations

and therefore denies the same. Except as expressly admitted herein, Citizen Watch denies each and every allegation of Paragraph 304.

COUNT II
WILLFUL INFRINGEMENT

305. Citizen Watch denies the allegations of Paragraph 305 directed at Citizen Watch. Citizen Watch lacks knowledge sufficient to confirm or deny the allegations against the other defendants and therefore denies the same. Except as expressly admitted herein, Citizen Watch denies each and every allegation of Paragraph 305.

306. Citizen Watch requests that the Court deny all relief to Parallel Networks, including that requested by Parallel Networks in its Prayer for Relief.

AFFIRMATIVE DEFENSES

Citizen Watch's Affirmative Defenses are listed below. Citizen Watch reserves the right to amend its Answer to add additional Affirmative Defenses, including instances of inequitable conduct, consistent with the facts discovered in the case.

FIRST DEFENSE

307. Citizen Watch does not infringe and has not infringed any claim of the '111 Patent under any theory (including directly (whether individually or jointly) or indirectly (whether contributorily or by inducement)).

SECOND DEFENSE

308. The '111 Patent is invalid because the alleged invention fails to satisfy the conditions for patentability specified in 35 U.S.C. § 100 *et seq.*, including §§ 101, 102, 103, and 112.

THIRD DEFENSE

309. To the extent that Parallel Networks, and alleged predecessors-in-interest to the '111 Patent, failed to properly mark any of their relevant products as required by 35 U.S.C. § 287 or otherwise give proper notice that Citizen Watch's actions allegedly infringed the '111 Patent, Citizen Watch is not liable to Parallel Networks for the acts alleged to have been performed before it received actual notice that it was allegedly infringing the '111 Patent.

FOURTH DEFENSE

310. To the extent that Parallel Networks asserts that Citizen Watch indirectly infringes, either by contributory infringement or inducement of infringement, Citizen Watch is not liable to Parallel Networks for the acts alleged to have been performed before Citizen Watch knew that its actions would cause indirect infringement.

FIFTH DEFENSE

311. Parallel Networks' attempted enforcement of the '111 Patent against Citizen Watch is barred by laches and estoppel.

SIXTH DEFENSE

312. Parallel Networks' claims directed to indirect infringement, either by contributory infringement or inducement of infringement, and willful infringement fail to state a claim for which relief may be granted.

COUNTERCLAIMS

The Parties

313. Counterclaim Plaintiff Citizen Watch Company of America, Inc., ("Citizen Watch") is a corporation with its principal place of business located in Torrance, California.

314. On information and belief based solely on Paragraph 1 of the Complaint as pled by Parallel Networks, Parallel Networks is a Texas Limited Liability Company with its principal place of business located in Tyler, Texas.

Jurisdiction

315. This counterclaim arises under the patent laws of the United States, Title 35, United States Code. The jurisdiction of this Court is proper under at least 35 U.S.C. § 271 *et seq.* and 28 U.S.C. §§ 1331, 1338, 1367, and 2201 *et seq.*

316. Venue is proper in this District pursuant to at least 28 U.S.C. §§ 1391 and 1400. Venue is further proper in the Tyler Division.

Count I

Declaratory Relief Regarding Non-infringement

317. Based on Parallel Networks' filing of this action and Citizen Watch's First Defense, an actual controversy has arisen and now exists between the parties as to whether Citizen Watch infringes the '111 Patent.

318. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, Citizen Watch requests a declaration by the Court that it does not infringe any claim of the '111 Patent under any theory (including directly (whether individually or jointly) or indirectly (whether contributorily or by inducement)).

Count II

Declaratory Relief Regarding Invalidity

319. Based on Parallel Networks' filing of this action and Citizen Watch's Second Defense, an actual controversy has arisen and now exists between the parties as to the validity of the claims of the '111 Patent.

320. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, and 35 U.S.C. § 100 *et seq.*, Citizen Watch requests a declaration by the Court that the claims of the '111 Patent are invalid.

Count III

Declaratory Relief Regarding Unenforceability

321. Based on Parallel Networks' filing of this action and Citizen Watch's Third, Fourth, and Fifth Defenses, an actual controversy has arisen and now exists between the parties as to the enforceability of the '111 Patent.

322. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, Citizen Watch requests a declaration by the Court that the claims of the '111 Patent are unenforceable.

PRAYER

Citizen Watch respectfully requests a judgment against Parallel Networks as follows:

- A. A declaration that the '111 Patent is unenforceable;
- B. A declaration that the asserted claims of the '111 Patent are invalid;
- C. A declaration that Citizen Watch does not infringe, under any theory, any valid claim of the '111 Patent that may be enforceable;
- D. A declaration that Parallel Networks take nothing by its Complaint;
- E. Judgment against Parallel Networks and in favor of Citizen Watch;
- F. Dismissal of the Complaint with prejudice;
- G. An award to Citizen Watch of its costs and attorneys' fees incurred in this action;
and
- H. Further relief as the Court may deem just and proper.

JURY DEMAND

Citizen Watch hereby demands trial by jury on all issues.

Dated: November 22, 2010

Respectfully submitted,

FISH & RICHARDSON P.C.

By: /s/ Neil J. McNabney

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**Counsel for Defendant
CITIZEN WATCH COMPANY OF
AMERICA, INC.**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served on November 22, 2010, to all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Neil J. McNabney

Neil J. McNabney