

The Honorable Richard A. Jones

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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

MICROSOFT CORPORATION, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 BARNES & NOBLE, INC., )  
 BARNESANDNOBLE.COM LLC, HON HAI )  
 PRECISION INDUSTRY CO., LTD., )  
 FOXCONN INTERNATIONAL HOLDINGS )  
 LTD., FOXCONN ELECTRONICS, INC., )  
 FOXCONN PRECISION COMPONENT )  
 (SHENZHEN) CO., LTD., and INVENTEC )  
 CORPORATION, )  
 )  
 Defendants. )

No. 2:11-cv-00485 RAJ

**BARNES & NOBLE, INC.’S AND  
BARNESANDNOBLE.COM LLC’S  
ANSWER, AFFIRMATIVE  
DEFENSES, AND  
COUNTERCLAIMS TO  
PLAINTIFF’S COMPLAINT FOR  
PATENT INFRINGEMENT**

**JURY DEMANDED**

Defendants Barnes & Noble, Inc. and barnesandnoble.com LLC (collectively, “Barnes & Noble”), with knowledge as to their own acts, and on information and belief as to the acts of others, by their undersigned attorneys, hereby reply to plaintiff Microsoft Corporation’s (“Microsoft’s”) Complaint for Patent Infringement filed on March 21, 2011.

Microsoft’s complaint alleges that Barnes & Noble’s Nook™ and Nook Color™ e-book reader products infringe certain claims of U.S. Patent Nos. 5,778,372 (the “372 patent”), 6,339,780 (the “780 patent”), 5,889,522 (the “522 patent”), 6,891,551 (the “551 patent”), and 6,957,233 (the “233 patent”). These allegations appear to center on the

1 Nook™'s and Nook Color™'s use of the Android™ Operating System. The '372, '780, '522,  
2 '551, and '233 patents, however, do not cover, claim, or disclose the Android™ Operating  
3 System. Instead, they claim five insubstantial and trivial features, including what Microsoft  
4 has itself described as (1) the “display of a webpage’s content before the background image is  
5 received, allowing users to interact with the page faster,” (2) the “superimpos[ing of]  
6 download status on top of the downloading content”, (3) “easy ways to navigate through  
7 information provided by their device apps via a separate control window with tabs”; (4)  
8 “[p]rovid[ing] users the ability to annotate text without changing the underlying document”;  
9 and (5) “[p]ermit[ing] users to easily select text in a document and adjust that selection.” The  
10 Nook™ and Nook Color™ do not infringe any valid claim of the '372, '780, '522, '551, and  
11 '233 patents and none of these trivial features serve as a basis for customer demand for these  
12 products. The subject matter embraced by the '372, '780, '522, '551, and '233 patents was  
13 not new and would have been highly obvious at the time those patents were filed.

14 Indeed, Microsoft is misusing these patents as part of a scheme to try to eliminate or  
15 marginalize the competition to its own Windows Phone 7 mobile device operating system  
16 posed by the open source Android™ operating system and other open source operating  
17 systems. Microsoft’s conduct directly harms both competition for and consumers of  
18 eReaders, smartphones, tablet computers and other mobile electronic devices, and renders  
19 Microsoft’s patents unenforceable.

20 Barnes & Noble responds to the like-numbered paragraphs of Microsoft’s Complaint  
21 as follows:

## 22 PARTIES

23 1. Barnes & Noble is without knowledge or information sufficient to form a  
24 belief as to the truth of the allegations of this paragraph and, therefore, denies them.

25 2. Barnes & Noble admits that Barnes & Noble, Inc. is a corporation organized  
26 and existing under the laws of Delaware and has a place of business at 122 Fifth Avenue,

1 New York, New York, 10011.

2 3. Barnes & Noble admits that barnesandnoble.com LLC is a limited liability  
3 corporation organized and existing under the laws of Delaware and has a place of business at  
4 122 Fifth Avenue, New York, New York, 10011.

5 4. Barnes & Noble is without knowledge or information sufficient to form a  
6 belief as to the truth of the allegations of this paragraph and, therefore, denies them.

7 5. Barnes & Noble is without knowledge or information sufficient to form a  
8 belief as to the truth of the allegations of this paragraph and, therefore, denies them.

9 6. Barnes & Noble is without knowledge or information sufficient to form a  
10 belief as to the truth of the allegations of this paragraph and, therefore, denies them.

11 7. Barnes & Noble is without knowledge or information sufficient to form a  
12 belief as to the truth of the allegations of this paragraph and, therefore, denies them.

13 8. Barnes & Noble is without knowledge or information sufficient to form a  
14 belief as to the truth of the allegations of this paragraph and, therefore, denies them.

15 9. Barnes & Noble admits that it imports into the United States, sells within the  
16 United States, and offers for sale in the United States devices known as the Nook™ and Nook  
17 Color™. Barnes & Noble admits that the Nook™ and Nook Color™ employ the Android™  
18 Operating System. Barnes & Noble admits that the Nook™ and Nook Color™ are marketed  
19 and sold in the United States both at retail stores and via various websites. Barnes & Noble  
20 denies any remaining allegations set forth in this paragraph.

21 **JURISDICTION AND VENUE**

22 10. Paragraph 10 states legal conclusions to which no answer is required, but to the  
23 extent that an answer is called for, the allegation is denied.

24 11. Paragraph 11 states legal conclusions to which no answer is required, but to the  
25 extent that an answer is called for, the allegation is denied.

26 12. Paragraph 12 states legal conclusions to which no answer is required, but to the

1 extent that an answer is called for, Barnes & Noble admits that it has offered products for sale,  
2 sold products, and conducted business in the Western District of Washington but denies all  
3 remaining allegations set forth in this paragraph as they relate to Barnes & Noble. Barnes &  
4 Noble is without knowledge or information sufficient to form a belief as to the truth of the  
5 allegations of this paragraph as they relate to the other defendants identified by Microsoft's  
6 Complaint and, therefore, denies them.

7 13. Paragraph 13 states legal conclusions to which no answer is required, but to the  
8 extent that an answer is called for, the allegation is denied.

9 **PATENT INFRINGEMENT COUNTS**

10 14. Barnes & Noble is without knowledge or information sufficient to form a  
11 belief as to the truth of the allegations of this paragraph relating to ownership of the '372,  
12 '780, '522, '551, and '233 patents, and, therefore, denies them. Barnes & Noble denies the  
13 remaining allegations set forth in this paragraph.

14 15. Denied.

15 16. Denied.

16 17. Denied.

17 **COUNT I**

18 **INFRINGEMENT OF U.S. PATENT NO. 5,778,372**

19 18. Barnes & Noble incorporates by reference its responses to the allegations set  
20 forth in paragraphs 1-17.

21 19. Barnes & Noble admits that what purports to be copy of the '372 patent was  
22 attached to Microsoft's Complaint as Exhibit A. Barnes & Noble admits that the '372 patent,  
23 on its face, indicates an issue date of July 7, 1998, but denies that the '372 patent was properly  
24 issued. Barnes & Noble also admits that the '372 patent is entitled "Remote Retrieval and  
25 Display Management of Electronic Document with Incorporated Images." Barnes & Noble is  
26 without knowledge or information sufficient to form a belief as to the truth of the remaining  
27

1 allegations of this paragraph and, therefore, denies them.

2 20. Denied.

3 **COUNT II**

4 **INFRINGEMENT OF U.S. PATENT NO. 6,339,780**

5 21. Barnes & Noble incorporates by reference its responses to the allegations set  
6 forth in paragraphs 1-20.

7 22. Barnes & Noble admits that what purports to be copy of the '780 patent was  
8 attached to Microsoft's Complaint as Exhibit B. Barnes & Noble admits that the '780 patent,  
9 on its face, indicates an issue date of January 15, 2002, but denies that the '780 patent was  
10 properly issued. Barnes & Noble also admits that the '780 patent is entitled "Loading Status  
11 in a Hypermedia Browser Having a Limited Available Display Area." Barnes & Noble is  
12 without knowledge or information sufficient to form a belief as to the truth of the remaining  
13 allegations of this paragraph and, therefore, denies them.

14 23. Denied.

15 **COUNT III**

16 **INFRINGEMENT OF U.S. PATENT NO. 5,889,522**

17 24. Barnes & Noble incorporates by reference its responses to the allegations set  
18 forth in paragraphs 1-23.

19 25. Barnes & Noble admits that what purports to be copy of the '522 patent was  
20 attached to Microsoft's Complaint as Exhibit C. Barnes & Noble admits that the '522 patent,  
21 on its face, indicates an issue date of March 30, 1999, but denies that the '522 patent was  
22 properly issued. Barnes & Noble also admits that the '522 patent is entitled "System  
23 Provided Child Window Controls." Barnes & Noble is without knowledge or information  
24 sufficient to form a belief as to the truth of the remaining allegations of this paragraph and,  
25 therefore, denies them.

26 26. Denied.

**COUNT IV**

**INFRINGEMENT OF U.S. PATENT NO. 6,891,551**

27. Barnes & Noble incorporates by reference its responses to the allegations set forth in paragraphs 1-26.

28. Barnes & Noble admits that what purports to be copy of the '551 patent was attached to Microsoft's Complaint as Exhibit D. Barnes & Noble admits that the '551 patent, on its face, indicates an issue date of May 10, 2005, but denies that the '551 patent was properly issued. Barnes & Noble also admits that the '551 patent is entitled "Selection Handles in Editing Electronic Documents." Barnes & Noble is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of this paragraph and, therefore, denies them.

29. Denied.

**COUNT V**

**INFRINGEMENT OF U.S. PATENT NO. 6,957,233**

30. Barnes & Noble incorporates by reference its responses to the allegations set forth in paragraphs 1-29.

31. Barnes & Noble admits that what purports to be copy of the '233 patent was attached to Microsoft's Complaint as Exhibit E. Barnes & Noble admits that the '233 patent, on its face, indicates an issue date of October 18, 2005, but denies that the '233 patent was properly issued. Barnes & Noble also admits that the '233 patent is entitled "Method and Apparatus for Capturing and Rendering Annotations for Non-Modifiable Electronic Content." Barnes & Noble is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of this paragraph and, therefore, denies them.

32. Denied.

1 **DEMAND FOR JURY TRIAL**

2 33. Barnes & Noble admits that Microsoft’s Complaint, on its face, purports to set  
3 forth a request for a trial by jury of all issues properly triable by jury.

4  
5 **AFFIRMATIVE DEFENSES**

6 **First Affirmative Defense**  
7 **(Unenforceability Due to Patent Misuse)**

8 **Introduction**

9 1. Microsoft’s claims of infringement of the ’372, ’780, ’522, ’551, and ’233  
10 patents against Barnes & Noble are barred by the doctrine of patent misuse.

11 2. Microsoft has impermissibly broadened the physical scope of the ’372, ’780,  
12 ’522, ’551, and ’233 patents in furtherance of a plan or scheme orchestrated by Microsoft and  
13 its agents to eliminate or marginalize the competition to Microsoft’s own Windows Phone 7  
14 mobile device operating system posed by the open source Android™ Operating System and  
15 other open source operating systems. As part of this scheme, Microsoft has asserted patents  
16 that extend only to arbitrary, outmoded, or non-essential design features, but uses these  
17 patents to demand that every manufacturer of an Android-based mobile device take a license  
18 from Microsoft and pay exorbitant licensing fees or face protracted and expensive patent  
19 infringement litigation. The asserted patents do not have a lawful scope sufficient to control  
20 the Android™ Operating System as Microsoft is attempting to do, and Microsoft’s misuse of  
21 these patents directly harms both competition for and consumers of all eReaders,  
22 smartphones, tablet computers and other mobile electronic devices.

23 **Microsoft’s Attempt to Control the Android Operating System**

24 3. Microsoft did not invent, research, develop, or make available to the public  
25 mobile devices employing the Android™ Operating System and other open source operating  
26 systems, but nevertheless seeks to dominate something it did not invent. On information and  
27

1 belief, Microsoft intends to take and has taken definite steps towards making competing  
2 operating systems such as the Android™ Operating System unusable and unattractive to both  
3 consumers and device manufacturers through exorbitant license fees and absurd licensing  
4 restrictions that bear no relation to the scope and subject matter of its own patents.

5 4. On information and belief, to perpetuate this scheme, Microsoft and its agents,  
6 including spokesman and chief executive officer Mr. Steven Ballmer, have publicly stated  
7 that through its patents Microsoft can dominate, control, and exclude from the market the  
8 Android™ Operating System, other open source operating systems, and open source  
9 applications such as Google Chrome. These statements are unjustified in view of the scope of  
10 Microsoft's patents. Moreover, neither Microsoft nor Mr. Ballmer has ever identified to the  
11 American public the basis for these grand assertions of dominance.

12 5. On information and belief, Microsoft intends to utilize its patents to control the  
13 activities of and extract fees from the designers, developers, and manufacturers of devices,  
14 including tablets, eReaders, and other mobile devices, that employ the Android™ Operating  
15 System.

16 6. On information and belief, Microsoft has falsely and without justification  
17 asserted that its patents somehow provide it with the right to prohibit device manufacturers  
18 from employing new versions of the Android™ Operating System, or third party software.

19 7. Without support or justification, Microsoft has communicated to the public  
20 through press releases and other public statements (including press releases relating to this  
21 very action) that the Android™ Operating System generally infringes Microsoft's patents, and  
22 that all device manufacturers employing the Android™ Operating System must either pay  
23 Microsoft's exorbitant licensing fees or face costly and protracted patent infringement  
24 litigation.

25 8. On information and belief, Microsoft's assertion of complete and total control  
26 and dominance over the Android™ Operating System is entirely unjustified and finds no root

1 in any supposed patents identified or even possessed by Microsoft.

2 9. On information and belief, as part of Microsoft's recently announced agreement  
3 with Nokia to replace Nokia's Symbian operating system with Microsoft's own mobile device  
4 operating system, Microsoft and Nokia discussed and apparently agreed upon a strategy for  
5 coordinated offensive use of their patents. Indeed, in videotaped remarks made two days after  
6 the Microsoft-Nokia agreement was announced, Nokia's CEO Stephen Elop confirmed that  
7 Microsoft and Nokia had discussed how their combined intellectual property portfolio is  
8 "remarkably strong" and that Microsoft and Nokia intended to use this combined portfolio  
9 both defensively and offensively.<sup>1</sup> This type of horizontal agreement between holders of  
10 significant patent portfolios is per se illegal under the antitrust laws, threatens competition for  
11 mobile device operating systems and is further evidence of Microsoft's efforts to dominate  
12 and control Android and other open source operating systems.

13 Microsoft's Initial Approach to Barnes & Noble

14 10. In furtherance of its scheme to dominate, marginalize, and eliminate  
15 commercial use of the Android™ Operating System, Microsoft initially contacted Barnes &  
16 Noble in 2010, through an e-mail from Rainer Kuehling, Microsoft's Senior Manager of the  
17 Microsoft Intellectual Property Licensing Office, to William Lynch, then President of Barnes  
18 & Noble.com, stating that Microsoft would like to meet with Barnes & Noble to discuss  
19 "patent issues relating to Barnes & Nobles' eReader."

20 11. Barnes & Noble and Microsoft then met on July 20, 2010, at the New York  
21 offices of Barnes & Noble.com. The meeting was attended by Dick Greeley, Director of  
22 Licensing for the Microsoft Intellectual Property Licensing Office, Carl Brandt, Associate  
23 General Counsel for IP and Litigation for Microsoft, Tony Astarita, Vice President of Product  
24 Development for Barnes & Noble.com, Bradley A. Feuer, then Acting General Counsel of  
25 Barnes & Noble, and outside counsel for Barnes & Noble. At the meeting, Microsoft alleged

26 <sup>1</sup> <http://www.techeye.net/business/swingin-stephen-elop-confirms-nokia-ms-deal-is-about-patent-protection>

1 that the Nook™ infringed six patents purportedly owned by Microsoft. Microsoft had  
2 prepared claim charts purportedly detailing the alleged infringement but insisted that it would  
3 only share the detailed claim charts if Barnes & Noble agreed to sign a non-disclosure  
4 agreement (“NDA”) that would cover the claim charts as well as all other aspects of the  
5 parties’ discussions. Noting that the patents were public and that the infringement allegations  
6 pertained to Barnes & Noble’s public product, Barnes & Noble refused to sign an NDA.  
7 Insisting that an NDA was necessary, Microsoft discussed the alleged infringement on a high-  
8 level basis only. Microsoft nevertheless maintained that it possessed patents sufficient to  
9 dominate and entirely preclude the use of the Android™ Operating System by the Nook™.  
10 Microsoft demanded an exorbitant royalty (on a per device basis) for a license to its patent  
11 portfolio for the Nook™ device and at the end of the meeting Microsoft stated that it would  
12 demand an even higher per device royalty for any device that acted “more like a computer” as  
13 opposed to an eReader.

14 12. On August 3, 2010, Microsoft sent Barnes & Noble an email purportedly  
15 following up on the July 20, 2010 meeting. The email attached a presentation that contained  
16 high level, publicly available information as well as a list of the patents that Microsoft stated  
17 were “exemplary patents that read on the Barnes and Noble’s Nook device.” The presentation  
18 contained a footer stating that the presentation was “Subject to FRE 408.”

19 13. On August 23, 2010, Mr. Greeley sent an email to Barnes & Noble stating that  
20 Microsoft wanted to schedule a follow-up meeting with Barnes & Noble to have a “[d]etailed  
21 discussion of Microsoft patents as they pertain to the Nook” and to elicit a “[r]esponse from  
22 Barnes and Nobel [sic] to Microsoft’s proposed terms.” Mr. Greeley marked the email as  
23 “Subject to FRE 408.” Mr. Greeley sent a follow-up email on August 26, 2010, requesting a  
24 response to the August 23, 2010 email. On August 26, 2010, Mr. Feuer responded to Mr.  
25 Greeley, informing him that Mr. Astarita was leaving the company and that Barnes & Noble  
26 needed to find his replacement for these matters. Additionally, Mr. Feuer stated in his email

1 that “please keep in mind that we do not consider any of our conversations to be confidential.”

2 14. On September 30, 2010, Mr. Greeley sent an email to Mr. Feuer regarding  
3 scheduling a further meeting and also stating that if Barnes & Noble would not agree to  
4 consider the claim charts as confidential then Microsoft would “need to limit the discussion to  
5 the patent numbers” and that “[w]e also want to discuss the licensing terms and would assume  
6 that these discussions and any shared agreements will be treated as confidential.”

7 15. Microsoft and Barnes & Noble exchanged a series of emails attempting to find  
8 an agreeable date to meet, which was eventually set for December 16, 2010 at the Barnes &  
9 Noble headquarters in New York. Mr. Greeley exchanged several emails with Mr. Gene  
10 DeFelice, who was newly appointed Barnes & Noble General Counsel, as well as Mr. Feuer,  
11 pursuant to which Mr. Greeley stated that he had located existing NDAs between Barnes &  
12 Noble and Microsoft covering matters that were totally unrelated to the patent issues under  
13 discussion. In a November 30, 2010 email to Mr. DeFelice and Mr. Feuer, Mr. Greeley wrote  
14 that the email was subject to “FRE 408 and Microsoft-Barnes & Noble Non-Disclosure  
15 Agreement.” Mr. Greeley further stated that Microsoft had not provided the full claim charts  
16 to Barnes & Noble because Mr. Feuer “refused to treat them as confidential information under  
17 our NDA.”

18 16. On December 3, 2010, Mr. DeFelice responded to Mr. Greeley’s November 30,  
19 2010 email stating, among other things, “I noticed that the heading of your email referred to a  
20 Barnes & Noble Non-Disclosure Agreement. As you know full well, there is no such  
21 agreement, and as you correctly note in the body of your email, Brad Feuer has been clear  
22 with Microsoft that we are not willing to sign or otherwise agree to a Non-Disclosure  
23 Agreement. Therefore, we ask you to please not try to cloud the record with inaccurate  
24 characterizations.” Mr. DeFelice further noted that, as Mr. Feuer had previously advised  
25 Microsoft, given the fact that the patents are public “B&N doesn’t see anything confidential in  
26 allegations of why our marketed device or devices infringe a public patent.”

1 17. On December 7, 2010, Mr. Greeley sent an email to Mr. DeFelice and Mr.  
2 Feuer confirming the December 16, 2010 meeting and acknowledging that “as per your email,  
3 we will not be having this conversation under NDA.”

4 18. The December 16, 2010 meeting between Microsoft and Barnes & Noble was  
5 attended by Mr. Greeley and Mr. Brandt, on behalf of Microsoft, and Mr. DeFelice, Mr.  
6 Feuer, and Mr. Jeffrey Snow, on behalf of Barnes & Noble. Microsoft continued to maintain  
7 that its patents were sufficient to dominate and entirely preclude the use of the Android™  
8 Operating System by the Nook™ and also asserted that they would preclude use of Android  
9 by Barnes & Noble’s new Nook Color™ product. Barnes & Noble requested that Microsoft  
10 set forth the basis for these allegations. Microsoft, however, continued to insist that it would  
11 not provide the basis for its allegations without first entering into a non-disclosure agreement.  
12 The parties therefore negotiated a form of NDA at this meeting entitled “Agreement” (the  
13 “Agreement”). The Agreement was very limited in scope, with “Confidential Information”  
14 defined as “any non-public claim charts provided to BN by Microsoft relating to the patents in  
15 dispute, any response(s) or discussions or product information provided by or from BN  
16 representatives.”

17 19. At the meeting, after the Agreement was executed, Microsoft provided Barnes  
18 & Noble with the claim charts referenced in the Agreement, which related to five of the six  
19 patents Microsoft had originally identified.

20 20. Tellingly, although Microsoft had insisted on entering into an NDA covering  
21 these claim charts, the charts did not contain confidential information but instead did nothing  
22 more than set forth the published claims of certain Microsoft patents on the one hand and  
23 publicly known features purportedly employed by the open source Android™ Operating  
24 System and the Nook™ on the other hand.

25 Microsoft’s Proposed License

26 21. Further evincing its anticompetitive intent to dominate and render the

1 Android™ Operating System uncompetitive, on or around January 6, 2011, Mr. Dick Greeley,  
2 Microsoft's Director of Licensing, forwarded Barnes & Noble a proposed patent license  
3 agreement.

4 22. Although in a cover e-mail Microsoft labeled the proposed license as  
5 "Confidential" and purportedly subject to the Agreement, the proposed patent license is in  
6 fact clearly not subject to the Agreement—which, as noted, was limited in scope to  
7 discussions concerning claim charts—or to any other non-disclosure agreement between  
8 Microsoft and Barnes & Noble. Microsoft's attempt to cloak its abusive and anticompetitive  
9 licensing proposal in confidence by referencing a plainly inapplicable confidentiality  
10 agreement is further evidence of Microsoft's unlawful scheme to restrict competition in the  
11 mobile operating system market.

12 23. The proposed patent license presumes that Microsoft possesses a portfolio of  
13 patents that dominate and control the Android™ Operating System.

14 24. The proposed license would have covered the '372,'780, '522, '551, and '233  
15 patents asserted in this action, along with other previously identified Microsoft patents,  
16 including U.S. Patent Nos. 5,579,517 ("the '517 patent"), 5,652,913 ("the '913 patent"),  
17 5,758,352 ("the '352 patent"), 6,791,536 ("the '536 patent"), and 6,897,853 ("the '853  
18 patent"). However, without justification, the proposed license would have severely limited,  
19 restricted, and in some cases entirely eliminated, Barnes & Noble's ability to upgrade,  
20 improve, or continue design work with Nook™ and Nook Color™.

21 25. After sending the proposed license agreement, Microsoft confirmed the  
22 shockingly high licensing fees Microsoft was demanding, reiterating its exorbitant per device  
23 royalty for Nook™, and for the first time demanding a royalty for Nook Color™ which was  
24 more than double the per device royalty Microsoft was demanding for Nook™. On  
25 information and belief, the license fees demanded by Microsoft are higher than what  
26 Microsoft charges for a license to its entire operating system designed for mobile devices,

1 Windows Phone 7.

2 26. On information and belief, the proposed license agreement Microsoft sent to  
3 Barnes & Noble on or around January 6, 2011 was Microsoft's standard license agreement  
4 signed by others.

5 The Patents at Issue

6 27. The patents that Microsoft has identified to date—including the patents  
7 Microsoft identified as part of the discussions between Microsoft and Barnes & Noble that  
8 preceded this litigation as well as patents on which Microsoft ultimately sued—do not warrant  
9 the dominance over an entire operating system, like the open source Android™ Operating  
10 System. Indeed, although in its earlier discussions Microsoft claimed that the '517, '913,  
11 '352, '536, '853, and '780 patents allowed it to dominate and control the Android™  
12 Operating System, when it initiated both the present action and a related action before the  
13 U.S. International Trade Commission, it did not allege that the Nook™ and Nook Color™  
14 products infringe the '517, '913, '352, '536, or '853 patents, but instead limited its allegations  
15 concerning previously asserted patents to only the '780 patent.

16 28. Thus, the '517, '913, '352, '536 and '853 patents appear to be nothing more  
17 than a vehicle by which Microsoft is seeking to force device manufacturers such as Barnes &  
18 Noble to enter into expensive, overly restrictive, and unjustified license agreements. The  
19 '517, '913, '352, '536, '853, and '780 patents are the antitheses of proof that Microsoft  
20 somehow invented and has the right to control the Android™ Operating System and other  
21 open source operating systems and applications.

22 29. The '517 and '352 patents deal with nothing more than compatibility between  
23 file names employed by operating systems used and sold today, and more primitive file names  
24 employed by old, unused, and outmoded operating systems. This is of no importance to either  
25 Nook™ or Nook Color™ modern products. Neither product infringes any valid, enforceable  
26 claims of the '517 or '352 patent.

1           30. During the discussions, Microsoft also threatened Barnes & Noble with claims  
2 of infringement of the '536 and '853 patents which relate only to simulating mouse inputs  
3 using non-mouse devices. The '853 patent misrepresented the state of the art at the time the  
4 patent was filed by stating that "a need exists for permitting a user to perform all operations of  
5 a mouse-type device using a stylus." This, however, is demonstrably incorrect. The '536 and  
6 '853 patents were filed in November 2000. Long before that time, numerous systems had  
7 been developed that enabled computer users to simulate mouse behavior with touch input  
8 devices. For example, U.S. Patent No. 5,327,161 to Logan et al., entitled "System and  
9 Method for Emulating a Mouse Input Device with a Touchpad Input Device" (the "'161  
10 patent"), was issued in 1994, years before the '536 and '853 patents were even filed. The  
11 '161 patent discloses a touchpad input device or touch-sensitive device that "can be used to  
12 replace the mouse cursor locator/input device in mouse-driven personal computers." (Col. 1,  
13 ll. 18-20.) The touchpad in the '161 patent performs functions of a mouse. Further evincing  
14 the lack of inventiveness of the subject matter set forth in the '536 and '853 patents, the '161  
15 patent noted that touchpad technology had been disclosed in patents that issued as early as  
16 1978. (See Col. 3, ll. 15-22.) Touchpad technology did not disappear or otherwise fade into  
17 the background in the decade between the filing of the '161 patent and Microsoft's own '536  
18 and '853 patents. A January, 14 1999 New York Times article entitled "Treading on the  
19 Mouse's Heels: The Oh-So-Subtle Touch Pad" describes "newer models of touch pads ... that  
20 ... can be trained to recognize handwritten commands." Moreover, the described touchpad  
21 allows one to "slide the finger" across the touchpad "[f]or a large cursor movement," and, just  
22 like the '536 patent, the touchpad performs different actions depending on whether a user taps  
23 or holds his or her finger on the touchpad surface. For instance, "[a] double tap equals a  
24 double click of the mouse" while the action to "tap once, then lower the finger and leave it  
25 down" equals a "highlight and drag." Further, the '536 and '853 patents relate to a concept  
26 that, while long present in the prior art, is lacking in the Nook™ and Nook Color™ devices,  
27

1 which were never designed for use with a mouse in this first instance, never simulate such an  
2 input, and thus cannot infringe any valid, enforceable claims of these patents.

3 31. Microsoft also threatened Barnes & Noble with claims of infringement of the  
4 '913 patent, which relates to storing input/output access factors in a shared data structure, and  
5 which clearly could not preclude the use of an entire operating system. The '913 patent  
6 specification is deficient with respect to a written description of the alleged invention and fails  
7 to provide sufficient detail for a person of skill in the art to make the subject matter of the  
8 claims. This deficiency renders the patent invalid, and in any event the claims do not cover  
9 the Nook™ and Nook Color™ devices to the extent the subject matter can be understood in  
10 light of the deficiencies. Tellingly, Microsoft was never able to fully explain how anything in  
11 the Nook™ and Nook Color™ related in any manner to the concepts set forth in the '913  
12 patent. Neither product infringes the '913 patent.

13 32. Of the patents Microsoft threatened Barnes & Noble with in the past, Microsoft  
14 has only sued Microsoft on the '780 patent. Barnes & Noble denies that the accused Nook™  
15 and Nook Color™ devices infringe any valid, enforceable claim of the '780 patent. The '780  
16 patent appears to cover nothing more than placing a loading status icon in the content viewing  
17 area of a browser. In that patent, Microsoft concedes that loading status icons and content  
18 viewing areas of a browser were both known in the prior art. The prior art placed the loading  
19 status icon outside of the viewing area, but it is nothing short of obvious to place it in the  
20 content viewing area (since there are only two locations for such an icon—either in or out of  
21 the content viewing area).

22 33. The other patents Microsoft asserts are similarly trivial, not infringed and  
23 invalid. The '372 patent relates to nothing more than a browser that recognizes background  
24 images in an electronic document and displays the background images after text. The patent  
25 refers to perception of slow displays involving background images that existed with typical  
26 internet connections and processors at the time of filing (i.e. 1996). To address this problem,

1 the '372 patent specification first describes displaying text and then redisplaying the text  
2 again after the background image loads. While this duplicative display may have had some  
3 use in the 1990s, it has no value for the connectivity and processors of today used by the  
4 Nook™ and Nook Color™ devices. Neither product infringes any valid, enforceable claim of  
5 the '372 patent.

6 34. The asserted '522 patent relates to nothing more than putting known tab  
7 controls into an operating system for use by all applications, rather than providing these tabs  
8 on an application-by-application basis. However, the specification of the '522 patent makes  
9 clear that before the filing of the patent, prior art operating systems were *already* providing  
10 applications with a toolbox of common controls to utilize. While the prior art purportedly did  
11 not disclose the claimed tab controls in this toolbox, numerous applications already employed  
12 tabs to allow users to navigate between pages of information in the application. Simply  
13 putting existing tab controls into the toolbox already provided by the operating system was  
14 not inventive or patentable. In any event, the Nook™ and Nook Color™ devices do not  
15 infringe any valid, enforceable claim of the '522 patent.

16 35. The asserted '551 patent relates to using handles to change the size of selection  
17 areas for selected text. By 2000, when the '551 application's provisional was filed, text was  
18 routinely selected when reading, review or editing, and handles were routinely used to change  
19 the size of selections. The simple act of using handles for their very purpose—changing the  
20 size of selections—was neither novel nor non-obvious. Neither the Nook™ nor Nook  
21 Color™ device includes handles with the functionality required by the '551 patent's claims.  
22 Thus, no valid, enforceable claim of the '551 patent is infringed by these products.

23 36. The final asserted patent, the '233 patent, relates to the storing and displaying of  
24 annotations of text which is not modifiable. As noted in other portions of this Answer,  
25 Affirmative Defenses, and Counterclaims, the claims of the '233 patent are unenforceable  
26 because they were procured via inequitable conduct. During prosecution, Microsoft and its  
27

1 attorneys failed to disclose a prior art reference, U.S. Patent No. 5,146,552 to Cassorla et al.,  
2 that the European Patent Office identified as pertinent and invalidating. Further, Microsoft  
3 even failed to disclose the European Patent Office's assessment and description of the prior  
4 art, despite the fact that such assessment and description conflicted with Microsoft's  
5 representations of the prior art to its invention. Moreover, in addition to being unenforceable,  
6 other prior art renders the '233 patent's claims invalid. In the '233 patent itself, Microsoft  
7 admits that publishing houses wanted their documents to be in the form of non-modifiable  
8 text at the time users wanted to annotate. It was obvious to respond to the demands of both  
9 publishing houses and users. In implementing the concept of annotating non-modifiable  
10 documents, Microsoft did not have to devise any unique solutions, but merely applied well  
11 known techniques to the problem created by the advent of electronic publishing. This was  
12 nothing more than the utilization of common sense solutions to a problem, and there is  
13 nothing patentable about the concepts allegedly covered by this patent. In any event, neither  
14 the Nook™ nor Nook Color™ device employs the subject matter set forth in the '233 patent,  
15 or infringes any valid, enforceable claim of that patent.

16 37. On information and belief, Microsoft knows that the '372, '780, '522, '551, and  
17 '233 patents are of limited scope, do not disclose or claim entire operating systems like  
18 Windows Phone 7 or the Android™ Operating System, and do not preclude the use of all  
19 other open source operating systems or applications. Microsoft had no justification to seek to  
20 use these patents to preclude the development and advancement of Barnes & Noble's devices  
21 as it did in its proposed license.

22 38. For instance, at [http://blogs.technet.com/b/microsoft\\_on\\_the\\_issues/archive/  
23 2011/03/21/android-patent-infringement-licensing-is-the-solution.aspx](http://blogs.technet.com/b/microsoft_on_the_issues/archive/2011/03/21/android-patent-infringement-licensing-is-the-solution.aspx), Horacio Gutierrez,  
24 Microsoft's Corporate Vice President and Deputy General Counsel, described the '372, '780,  
25 '522, '551, and '233 patents as only embracing (1) the "display of a webpage's content before  
26 the background image is received, allowing users to interact with the page faster," (2) the

1 “superimpos[ing of] download status on top of the downloading content”, (3) “easy ways to  
2 navigate through information provided by their device apps via a separate control window  
3 with tabs”; (4) “[p]rovid[ing] users the ability to annotate text without changing the  
4 underlying document”; and (5) “[p]ermit[ing] users to easily select text in a document and  
5 adjust that selection.” By Microsoft’s officer’s own description and admission, its asserted  
6 patents are not even close to covering the entire functionality of Barnes & Noble’s Nook™  
7 and Nook Color™ devices, or of the Android™ Operating System.

8 39. Despite this, Microsoft issued press releases after filing this action claiming that  
9 the Android™ Operating System generally infringes Microsoft’s patents, and that *all device*  
10 *manufacturers employing the Android™ Operating System* must license Microsoft’s patents.

11 40. Moreover, as explained in other parts of this Answer, Affirmative Defenses, and  
12 Counterclaims, the ’233 patent – one of the patents Microsoft claims dominates the  
13 Android™ Operating System – was procured by inequitable conduct. This inequitable  
14 conduct evinces Microsoft’s unclean hands and taints Microsoft’s entire portfolio.

15 41. Microsoft’s patents do not provide the *quid pro quo* to the public of advancing  
16 the state of technology commensurate with the scope of market dominance Microsoft appears  
17 to seek in the operating system market as a whole.

18 42. On information and belief, Microsoft’s attempts to dominate and control a  
19 market via reference to such patents constitutes a threat to creativity, and is contrary to the  
20 central tenets of the U.S. patent system.

21 43. Via the license price it demands and the onerous restrictions and termination  
22 provisions that would effectively require the negotiation of a new license each and every time  
23 a hardware or software update is made, Microsoft is leveraging the ’372, ’780, ’522, ’551, and  
24 ’233 patents and its other patents to render the Android™ Operating System and other open  
25 source operating systems uncompetitive and unpalatable vis-à-vis Microsoft’s own operating  
26 systems and force potential licensees to purchase Windows Phone 7 despite the fact that its

1 patents claim only trivial and non-essential design elements, not an entire operating system.

2 Microsoft's Conduct Relating to Other Companies

3 44. On information and belief, Microsoft has also attempted to force other  
4 companies manufacturing products that use the Android™ Operating System to take  
5 expensive licenses to Microsoft's patents, using the same threat of litigation based on trivial  
6 patents it made against Barnes & Noble prior to this lawsuit.

7 45. On information and belief, one large electronics manufacturer, HTC, agreed to a  
8 license involving Microsoft's patents to avoid such a lawsuit, that may have contained  
9 controls and restrictions on HTC's activities beyond the scope of Microsoft's patents.

10 46. On information and belief, Amazon, who sells the Kindle eReader, entered into  
11 a license involving Microsoft's patents that may have contained controls and restrictions on  
12 Amazon's activities beyond the scope of Microsoft's patents.

13 47. On information and belief, Microsoft's activities have a significant, wide felt,  
14 and highly detrimental anticompetitive effect and restrain competition in the market for  
15 mobile operating systems by suppressing the use and development of open source mobile  
16 operating systems, including the Android™ Operating System, and the development of  
17 applications and devices employing the same.

18 48. On information and belief, Microsoft's activities are part of Microsoft's  
19 campaign to force open source software developers and users to pay expensive license fees  
20 (reducing their ability to compete with Microsoft) or to leave the market altogether.

21 Microsoft's Dominant Position

22 49. On information and belief, Microsoft claims to have complete control over the  
23 market for open source mobile operating systems, including the Android™ Operating System.

24 50. On information and belief, the Android™ Operating System accounts for over  
25 30% of the market for mobile operating systems both in the United States and worldwide.

26 51. On information and belief, Microsoft's own mobile operating systems,

1 including Microsoft Windows Mobile and Windows Phone 7, account for about 10% of the  
2 market for mobile operating systems in the United States and over 3% on a worldwide basis.  
3 Moreover, on information and belief, Microsoft has recently entered into an agreement with  
4 Nokia whereby Nokia will replace its own proprietary Symbian mobile operating system with  
5 Microsoft's own mobile device operating system. When this transition is complete next year,  
6 Microsoft's worldwide market share will increase to over 30% independent of its assertion of  
7 control of the Android™ Operating System. As noted in paragraph 9 above, as part of this  
8 agreement, Microsoft and Nokia also discussed and apparently agreed on a strategy of  
9 coordinating their offensive patent assertion strategies going forward—further demonstrating  
10 the dominant position of Microsoft.

11 52. In view of Microsoft's unjustified claim of control over the Android™  
12 Operating System and its own Microsoft mobile device operating system products, Microsoft  
13 claims to control 40% of the market for mobile operating systems in the United States and  
14 will soon claim to control over 65% of the market for mobile operating systems on a  
15 worldwide basis. Microsoft thus has market power with respect to mobile operating systems.

16 53. Microsoft's activities constitute patent misuse and render all the asserted claims  
17 of the '372, '780, '522, '551, and '233 patents unenforceable.

### 18 **Second Affirmative Defense**

#### 19 **(Non-Infringement)**

20 54. Barnes & Noble has not and does not infringe any valid, enforceable claim of  
21 the '372, '780, '522, '551, or '233 patent either literally or under the doctrine of equivalents.

### 22 **Third Affirmative Defense**

#### 23 **(Invalidity)**

24 55. The claims of the '372, '780, '522, '551, and '233 patents are invalid for failure  
25 to comply with one or more of the requirements of 35 U.S.C. § 100 *et seq.*, including, but not  
26 limited to, §§ 101, 102, 103, and/or 112.

1 **Fourth Affirmative Defense**

2 **(Failure to Mark)**

3 56. Microsoft is not entitled to recover damages occurring prior to notice of the  
4 alleged infringement of the '372, '780, '522, '551, and '233 patents for failure to comply with  
5 the requirements of Title 35 of the United States Code, including but not limited to § 287.

6 **Fifth Affirmative Defense**

7 **(Unenforceability of the '233 Patent Due to Inequitable Conduct)**

8 57. On information and belief, the '233 patent is unenforceable due to inequitable  
9 conduct because one or more persons involved in the prosecution of the application that  
10 issued as the '233 patent violated their duty of candor and good faith in dealing with the  
11 United States Patent and Trademark Office (the "PTO") by intentionally and deceptively  
12 failing to disclose to the PTO prior art and information material to the patentability of the  
13 claims of the '233 patent.

14 58. Specifically, on information and belief, during prosecution of the '233 patent,  
15 attorneys from the firm Banner & Witcoff, Ltd. involved with the prosecution of the '233  
16 patent, including at least Christopher R. Glembocki, withheld material prior art and other  
17 information from the PTO relating to at least asserted claims 21 and 22 with an intent to  
18 deceive the PTO and obtain the issuance of claims to which the applicants would not  
19 otherwise be entitled.

20 59. On information and belief, Mr. Glembocki and others at Banner & Witcoff were  
21 involved with the prosecution of the application underlying the '233 patent from its filing on  
22 December 7, 1999 until its issuance on October 18, 2005. Among other things, Mr.  
23 Glembocki signed the original December 7, 1999 application, an April 20, 2000 Petition for  
24 Extension of Time, an April 20, 2000 Response to Notice to File Missing Parts of  
25 Application, and a January 22, 2004 Information Disclosure Statement.

26 60. On information and belief, the non-disclosed material prior art and other

1 information includes at least (a) U.S. Patent No. 5,146,552 to Cassorla et al. (the “’552  
2 Cassorla patent”) and (b) various papers issued or submitted in connection with international  
3 application number PCT/US00/33081 (the “’081 international application”) including (i) a  
4 March 26, 2001 international search report, (ii) a January 1, 2002 written opinion, and (iii) a  
5 May 5, 2002 international preliminary examination report.

6 61. On its face, the ’081 international application claims priority to U.S. patent  
7 application 09/455,806 (the “’806 application”). The ’806 application issued as the ’233  
8 patent. Thus, the ’081 international application and ’233 patent are related.

9 62. On information and belief, Mr. Glembocki was involved in the prosecution of  
10 both the ’081 international application and the ’806 application and is listed on  
11 correspondence in both applications’ file histories.

12 63. On or around March 26, 2001, an international search report issued in  
13 connection with the ’081 international application. This international search report listed the  
14 ’552 Cassorla patent as a “[d]ocument considered to be relevant.” The international search  
15 report further stated that the ’552 Cassorla patent is a “document of particular relevance” such  
16 that “the claimed invention cannot be considered novel or cannot be considered to involve an  
17 inventive step when the document is taken alone.”

18 64. On or about January 1, 2002, a written opinion issued in connection with the  
19 ’081 international application and was mailed to Mr. Glembocki.

20 65. Citing the Abstract and column 2, line 5 to column 3, line 34 of the ’552  
21 Cassorla patent, the January 1, 2002 written opinion noted that that patent “discloses a method  
22 for associating annotations for a certain document (object) adopting the technique of  
23 separately storing annotation and its position in order to maintain ‘unmodified’ the document  
24 itself.” Further, it was noted that “[t]his technique corresponds to and has the same effect of  
25 the storing of objects in ‘non-modifiable’ portion of the file to be annotated....”

26 66. The January 1, 2002 written opinion also noted that the claims of the ’081  
27

1 international application are not inventive in view of the disclosure of the '552 Cassorla  
2 patent.

3 67. On or about May 2, 2002, an international preliminary examination report  
4 issued in connection with the '081 international application and was mailed to Mr.  
5 Glembocki.

6 68. The May 2, 2002 international preliminary examination report again cited the  
7 '552 Cassorla patent and noted that the claims of the '081 international application are not  
8 inventive in view of the disclosure of that patent.

9 69. The claims of the '081 international application include many of the limitations  
10 found in claims 21 and 22 of the '233 patent.

11 70. On information and belief, in view of the March 26, 2001 international search  
12 report, January 1, 2002 written opinion, and May 5, 2002 international preliminary  
13 examination report, Mr. Glembocki and others involved with the prosecution of the '233  
14 patent knew of the '552 Cassorla patent and its disclosure of "a method for associating  
15 annotations for a certain document (object) adopting the technique of separately storing  
16 annotation and its position in order to maintain 'unmodified' the document itself" no later  
17 than May 5, 2002.

18 71. On information and belief, neither Mr. Glembocki nor any other individual  
19 involved in the prosecution of the '233 patent disclosed the '552 Cassorla patent or the March  
20 26, 2001 international search report, January 1, 2002 written opinion, and May 5, 2002  
21 international preliminary examination report to the PTO during prosecution of the '233 patent.

22 72. On information and belief, the '552 Cassorla patent, March 26, 2001  
23 international search report, January 1, 2002 written opinion, and May 5, 2002 international  
24 preliminary examination report were highly material to the prosecution of the '233 patent and  
25 were not cumulative to the other prior art and information of record.

26 73. More specifically, during prosecution of the '233 patent and in connection with  
27

1 a December 22, 2003 amendment, applicants attempted to distinguish then pending claims 25  
2 and 26 of the '806 application – which later issued as claims 21 and 22 – from prior art cited  
3 by the PTO by arguing that that prior art did not disclose, among other things, the claim  
4 limitations requiring “an electronic book including a page having user selectable objects  
5 stored in a non-modifiable portion of a file.”

6 74. As noted by the March 26, 2001 international search report, January 1, 2002  
7 written opinion, and May 5, 2002 international preliminary examination report, the '552  
8 Cassorla patent discloses this same “electronic book including a page having user selectable  
9 objects stored in a non-modifiable portion of a file” feature applicants argued was missing  
10 from the prior art referenced in the December 22, 2003 amendment. Thus, the '552 Cassorla  
11 patent, along with the January 1, 2002 written opinion, and May 5, 2002 international  
12 preliminary examination report, was non-cumulative and would have been highly material to  
13 the examiner considering the '233 patent's claims and the applicants' representation regarding  
14 the prior art.

15 75. Further, the identification of the '552 Cassorla patent as a “document of  
16 particular relevance” such that “the claimed invention cannot be considered novel or cannot  
17 be considered to involve an inventive step when the document is taken alone” in the March  
18 26, 2001 international search report along with the findings in the January 1, 2002 written  
19 opinion and May 2, 2002 international preliminary examination report that the claims of the  
20 '081 international application are not inventive in view of the disclosure of the '552 Cassorla  
21 patent would have been highly material to the examiner considering the '233 patent's claims  
22 because none of the other art of record was found to anticipate or render obvious asserted  
23 claims 21 and 22 of the '233 patent.

24 76. Given the materiality of the '552 Cassorla patent, the March 26, 2001  
25 international search report, January 1, 2002 written opinion, and May 5, 2002 international  
26 preliminary examination report and Mr. Glembocki's direct knowledge of these materials, on  
27

1 information and belief Mr. Glembocki and others involved with the prosecution of the '233  
2 patent withheld these materials with intent to deceive the PTO.

3 77. This intentional and deceptive withholding of the '552 Cassorla patent, the  
4 March 26, 2001 international search report, the January 1, 2002 written opinion, and the May  
5 5, 2002 international preliminary examination report constitutes inequitable conduct that  
6 renders the '233 patent unenforceable.

7  
8 **COUNTERCLAIMS**

9 1. Pursuant to Rule 13 of the Federal Rules of Civil Procedure, Barnes & Noble,  
10 Inc. and barnesandnoble.com LLC (collectively, "Barnes & Noble"), for their Counterclaims  
11 against Microsoft Corporation ("Microsoft"), state as follows:

12 **The Parties**

13 2. Barnes & Noble, Inc. is a corporation organized and existing under the laws of  
14 Delaware and has a place of business at 122 Fifth Avenue, New York, New York, 10011.

15 3. Barnesandnoble.com LLC is a limited liability corporation organized and  
16 existing under the laws of Delaware and has a place of business at 122 Fifth Avenue, New  
17 York, New York, 10011.

18 4. On information and belief, Microsoft is a corporation organized and existing  
19 under the laws of the State of Washington and has a place of business at One Microsoft Way,  
20 Redmond, Washington 98052.

21 **Nature of Action**

22 5. On March 21, 2011, Microsoft filed its Complaint for Patent Infringement  
23 alleging that Barnes & Noble infringes certain claims of U.S. Patent Nos. 5,778,372 (the  
24 "'372 patent"), 6,339,780 (the "'780 patent"), 5,889,522 (the "'522 patent"), 6,891,551 (the  
25 "'551 patent"), 6,957,233 (the "'233 patent").

26 6. On information and belief, Microsoft is the owner of the '372, '780, '522,

1 '551, and '233 patents.

2 7. Barnes & Noble seeks entry of declaratory judgment holding (a) that it does  
3 not infringe, directly, contributorily, or by inducement, any valid, enforceable claim of the  
4 '372, '780, '522, '551, and '233 patents; (b) that the claims of the '372, '780, '522, '551, and  
5 '233 patents are invalid; (c) that the claims of the '233 patent are unenforceable due to  
6 inequitable conduct; and (d) that the claims of the '372, '780, '522, '551, and '233 patents are  
7 unenforceable due to patent misuse.

8 **Jurisdiction and Venue**

9 8. This Court has subject matter jurisdiction over this action pursuant to 28  
10 U.S.C. §§ 1331 and 1338(a), in that it involves claims arising under the United States Patent  
11 Act, 35 U.S.C. § 1 *et seq.*

12 9. This Court may declare the rights and other legal relations of the parties  
13 pursuant to 28 U.S.C. §§ 2201 and 2202 because there is an actual and justiciable controversy  
14 between Barnes & Noble and Microsoft that is within the Court's jurisdiction with respect to  
15 whether Barnes & Noble infringes any valid, enforceable claim of the '372, '780, '522, '551,  
16 and '233 patents, and whether the claims of those patents are invalid and unenforceable.

17 10. This Court has personal jurisdiction over Microsoft because, on information  
18 and belief, Microsoft's principle place of business is in this judicial district and Microsoft has  
19 systematic and continuous contacts in this judicial district, regularly avails itself of the  
20 benefits of this judicial district, including the jurisdiction of the courts, and regularly transacts  
21 business within this judicial district and derives substantial revenues from this business.

22 11. Venue in this judicial district is proper pursuant to 28 U.S.C. §§ 1391(b) and  
23 (c) and 1400(b).

1 **Count I**

2 **(Counterclaim of Unenforceability of the**

3 **'372, '780, '522, '551, and '233 Patents Due to Patent Misuse)**

4 Introduction

5 12. Barnes & Noble incorporates by reference, as though fully set forth herein, the  
6 allegations contained in paragraphs 1 through 11 of these Counterclaims.

7 13. Microsoft's claims of infringement of the '372, '780, '522, '551, and '233  
8 patents against Barnes & Noble are barred by the doctrine of patent misuse.

9 14. Microsoft has impermissibly broadened the physical scope of the '372, '780,  
10 '522, '551, and '233 patents in furtherance of a plan or scheme orchestrated by Microsoft and  
11 its agents to eliminate or marginalize the competition to Microsoft's own Windows Phone 7  
12 mobile device operating system posed by the open source Android™ Operating System and  
13 other open source operating systems. As part of this scheme, Microsoft has asserted patents  
14 that extend only to arbitrary, outmoded, or non-essential design features, but uses these  
15 patents to demand that every manufacturer of an Android-based mobile device take a license  
16 from Microsoft and pay exorbitant licensing fees or face protracted and expensive patent  
17 infringement litigation. The asserted patents do not have a lawful scope sufficient to control  
18 the Android™ Operating System as Microsoft is attempting to do, and Microsoft's misuse of  
19 these patents directly harms both competition for and consumers of all eReaders,  
20 smartphones, tablet computers and other mobile electronic devices.

21 Microsoft's Attempt to Control the Android Operating System

22 15. Microsoft did not invent, research, develop, or make available to the public  
23 mobile devices employing the Android™ Operating System and other open source operating  
24 systems, but nevertheless seeks to dominate something it did not invent. On information and  
25 belief, Microsoft intends to take and has taken definite steps towards making competing  
26 operating systems such as the Android™ Operating System unusable and unattractive to both

1 consumers and device manufactures through exorbitant license fees and absurd licensing  
2 restrictions that bear no relation to the scope and subject matter of its own patents.

3 16. On information and belief, to perpetuate this scheme, Microsoft and its agents,  
4 including spokesman and chief executive officer Mr. Steven Ballmer, have publicly stated  
5 that through its patents Microsoft can dominate, control, and exclude from the market the  
6 Android™ Operating System, other open source operating systems, and open source  
7 applications such as Google Chrome. These statements are unjustified in view of the scope of  
8 Microsoft's patents. Moreover, neither Microsoft nor Mr. Ballmer has ever identified to the  
9 American public the basis for these grand assertions of dominance.

10 17. On information and belief, Microsoft intends to utilize its patents to control the  
11 activities of and extract fees from the designers, developers, and manufacturers of devices,  
12 including tablets, eReaders, and other mobile devices, that employ the Android™ Operating  
13 System.

14 18. On information and belief, Microsoft has falsely and without justification  
15 asserted that its patents somehow provide it with the right to prohibit device manufacturers  
16 from employing new versions of the Android™ Operating System, or third party software.

17 19. Without support or justification, Microsoft has communicated to the public  
18 through press releases and other public statements (including press releases relating to this  
19 very action) that the Android™ Operating System generally infringes Microsoft's patents, and  
20 that all device manufacturers employing the Android™ Operating System must either pay  
21 Microsoft's exorbitant licensing fees or face costly and protracted patent infringement  
22 litigation.

23 20. On information and belief, Microsoft's assertion of complete and total control  
24 and dominance over the Android™ Operating System is entirely unjustified and finds no root  
25 in any supposed patents identified or even possessed by Microsoft.

26 21. On information and belief, as part of Microsoft's recently announced agreement  
27

1 with Nokia to replace Nokia's Symbian operating system with Microsoft's own mobile device  
2 operating system, Microsoft and Nokia discussed and apparently agreed upon a strategy for  
3 coordinated offensive use of their patents. Indeed, in videotaped remarks made two days after  
4 the Microsoft-Nokia agreement was announced, Nokia's CEO Stephen Elop confirmed that  
5 Microsoft and Nokia had discussed how their combined intellectual property portfolio is  
6 "remarkably strong" and that Microsoft and Nokia intended to use this combined portfolio  
7 both defensively and offensively.<sup>2</sup> This type of horizontal agreement between holders of  
8 significant patent portfolios is per se illegal under the antitrust laws, threatens competition for  
9 mobile device operating systems and is further evidence of Microsoft's efforts to dominate  
10 and control Android and other open source operating systems.

#### 11 Microsoft's Initial Approach to Barnes & Noble

12 22. In furtherance of its scheme to dominate, marginalize, and eliminate  
13 commercial use of the Android™ Operating System, Microsoft initially contacted Barnes &  
14 Noble in 2010, through an e-mail from Rainer Kuehling, Microsoft's Senior Manager of the  
15 Microsoft Intellectual Property Licensing Office, to William Lynch, then President of Barnes  
16 & Noble.com, stating that Microsoft would like to meet with Barnes & Noble to discuss  
17 "patent issues relating to Barnes & Nobles' eReader."

18 23. Barnes & Noble and Microsoft then met on July 20, 2010, at the New York  
19 offices of Barnes & Noble.com. The meeting was attended by Dick Greeley, Director of  
20 Licensing for the Microsoft Intellectual Property Licensing Office, Carl Brandt, Associate  
21 General Counsel for IP and Litigation for Microsoft, Tony Astarita, Vice President of Product  
22 Development for Barnes & Noble.com, Bradley A. Feuer, then Acting General Counsel of  
23 Barnes & Noble, and outside counsel for Barnes & Noble. At the meeting, Microsoft alleged  
24 that the Nook™ infringed six patents purportedly owned by Microsoft. Microsoft had  
25 prepared claim charts purportedly detailing the alleged infringement but insisted that it would

26 <sup>2</sup> <http://www.techeye.net/business/swingin-stephen-elop-confirms-nokia-ms-deal-is-about-patent-protection>

1 only share the detailed claim charts if Barnes & Noble agreed to sign a non-disclosure  
2 agreement (“NDA”) that would cover the claim charts as well as all other aspects of the  
3 parties’ discussions. Noting that the patents were public and that the infringement allegations  
4 pertained to Barnes & Noble’s public product, Barnes & Noble refused to sign an NDA.  
5 Insisting that an NDA was necessary, Microsoft discussed the alleged infringement on a high-  
6 level basis only. Microsoft nevertheless maintained that it possessed patents sufficient to  
7 dominate and entirely preclude the use of the Android™ Operating System by the Nook™.  
8 Microsoft demanded an exorbitant royalty (on a per device basis) for a license to its patent  
9 portfolio for the Nook™ device and at the end of the meeting Microsoft stated that it would  
10 demand an even higher per device royalty for any device that acted “more like a computer” as  
11 opposed to an eReader.

12 24. On August 3, 2010, Microsoft sent Barnes & Noble an email purportedly  
13 following up on the July 20, 2010 meeting. The email attached a presentation that contained  
14 high level, publicly available information as well as a list of the patents that Microsoft stated  
15 were “exemplary patents that read on the Barnes and Noble’s Nook device.” The presentation  
16 contained a footer stating that the presentation was “Subject to FRE 408.”

17 25. On August 23, 2010, Mr. Greeley sent an email to Barnes & Noble stating that  
18 Microsoft wanted to schedule a follow-up meeting with Barnes & Noble to have a “[d]etailed  
19 discussion of Microsoft patents as they pertain to the Nook” and to elicit a “[r]esponse from  
20 Barnes and Nobel [sic] to Microsoft’s proposed terms.” Mr. Greeley marked the email as  
21 “Subject to FRE 408.” Mr. Greeley sent a follow-up email on August 26, 2010, requesting a  
22 response to the August 23, 2010 email. On August 26, 2010, Mr. Feuer responded to Mr.  
23 Greeley, informing him that Mr. Astarita was leaving the company and that Barnes & Noble  
24 needed to find his replacement for these matters. Additionally, Mr. Feuer stated in his email  
25 that “please keep in mind that we do not consider any of our conversations to be confidential.”

26 26. On September 30, 2010, Mr. Greeley sent an email to Mr. Feuer regarding

1 scheduling a further meeting and also stating that if Barnes & Noble would not agree to  
2 consider the claim charts as confidential then Microsoft would “need to limit the discussion to  
3 the patent numbers” and that “[w]e also want to discuss the licensing terms and would assume  
4 that these discussions and any shared agreements will be treated as confidential.”

5 27. Microsoft and Barnes & Noble exchanged a series of emails attempting to find  
6 an agreeable date to meet, which was eventually set for December 16, 2010 at the Barnes &  
7 Noble headquarters in New York. Mr. Greeley exchanged several emails with Mr. Gene  
8 DeFelice, who was newly appointed Barnes & Noble General Counsel, as well as Mr. Feuer,  
9 pursuant to which Mr. Greeley stated that he had located existing NDAs between Barnes &  
10 Noble and Microsoft covering matters that were totally unrelated to the patent issues under  
11 discussion. In a November 30, 2010 email to Mr. DeFelice and Mr. Feuer, Mr. Greeley wrote  
12 that the email was subject to “FRE 408 and Microsoft-Barnes & Noble Non-Disclosure  
13 Agreement.” Mr. Greeley further stated that Microsoft had not provided the full claim charts  
14 to Barnes & Noble because Mr. Feuer “refused to treat them as confidential information under  
15 our NDA.”

16 28. On December 3, 2010, Mr. DeFelice responded to Mr. Greeley’s November 30,  
17 2010 email stating, among other things, “I noticed that the heading of your email referred to a  
18 Barnes & Noble Non-Disclosure Agreement. As you know full well, there is no such  
19 agreement, and as you correctly note in the body of your email, Brad Feuer has been clear  
20 with Microsoft that we are not willing to sign or otherwise agree to a Non-Disclosure  
21 Agreement. Therefore, we ask you to please not try to cloud the record with inaccurate  
22 characterizations.” Mr. DeFelice further noted that, as Mr. Feuer had previously advised  
23 Microsoft, given the fact that the patents are public “B&N doesn’t see anything confidential in  
24 allegations of why our marketed device or devices infringe a public patent.”

25 29. On December 7, 2010, Mr. Greeley sent an email to Mr. DeFelice and Mr.  
26 Feuer confirming the December 16, 2010 meeting and acknowledging that “as per your email,  
27

1 we will not be having this conversation under NDA.”

2 30. The December 16, 2010 meeting between Microsoft and Barnes & Noble was  
3 attended by Mr. Greeley and Mr. Brandt, on behalf of Microsoft, and Mr. DeFelice, Mr.  
4 Feuer, and Mr. Jeffrey Snow, on behalf of Barnes & Noble. Microsoft continued to maintain  
5 that its patents were sufficient to dominate and entirely preclude the use of the Android™  
6 Operating System by the Nook™ and also asserted that they would preclude use of Android  
7 by Barnes & Noble’s new Nook Color™ product. Barnes & Noble requested that Microsoft  
8 set forth the basis for these allegations. Microsoft, however, continued to insist that it would  
9 not provide the basis for its allegations without first entering into a non-disclosure agreement.  
10 The parties therefore negotiated a form of NDA at this meeting entitled “Agreement” (the  
11 “Agreement”). The Agreement was very limited in scope, with “Confidential Information”  
12 defined as “any non-public claim charts provided to BN by Microsoft relating to the patents in  
13 dispute, any response(s) or discussions or product information provided by or from BN  
14 representatives.”

15 31. At the meeting, after the Agreement was executed, Microsoft provided Barnes  
16 & Noble with the claim charts referenced in the Agreement, which related to five of the six  
17 patents Microsoft had originally identified.

18 32. Tellingly, although Microsoft had insisted on entering into an NDA covering  
19 these claim charts, the charts did not contain confidential information but instead did nothing  
20 more than set forth the published claims of certain Microsoft patents on the one hand and  
21 publicly known features purportedly employed by the open source Android™ Operating  
22 System and the Nook™ on the other hand.

#### 23 Microsoft’s Proposed License

24 33. Further evincing its anticompetitive intent to dominate and render the  
25 Android™ Operating System uncompetitive, on or around January 6, 2011, Mr. Dick Greeley,  
26 Microsoft’s Director of Licensing, forwarded Barnes & Noble a proposed patent license

1 agreement.

2 34. Although in a cover e-mail Microsoft labeled the proposed license as  
3 “Confidential” and purportedly subject to the Agreement, the proposed patent license is in  
4 fact clearly not subject to the Agreement—which, as noted, was limited in scope to  
5 discussions concerning claim charts—or to any other non-disclosure agreement between  
6 Microsoft and Barnes & Noble. Microsoft’s attempt to cloak its abusive and anticompetitive  
7 licensing proposal in confidence by referencing a plainly inapplicable confidentiality  
8 agreement is further evidence of Microsoft’s unlawful scheme to restrict competition in the  
9 mobile operating system market.

10 35. The proposed patent license presumes that Microsoft possesses a portfolio of  
11 patents that dominate and control the Android™ Operating System.

12 36. The proposed license would have covered the ’372,’780, ’522, ’551, and ’233  
13 patents asserted in this action, along with other previously identified Microsoft patents,  
14 including U.S. Patent Nos. 5,579,517 (“the ’517 patent”), 5,652,913 (“the ’913 patent”),  
15 5,758,352 (“the ’352 patent”), 6,791,536 (“the ’536 patent”), and 6,897,853 (“the ’853  
16 patent”). However, without justification, the proposed license would have severely limited,  
17 restricted, and in some cases entirely eliminated, Barnes & Noble’s ability to upgrade,  
18 improve, or continue design work with Nook™ and Nook Color™.

19 37. After sending the proposed license agreement, Microsoft confirmed the  
20 shockingly high licensing fees Microsoft was demanding, reiterating its exorbitant per device  
21 royalty for Nook™, and for the first time demanding a royalty for Nook Color™ which was  
22 more than double the per device royalty Microsoft was demanding for Nook™. On  
23 information and belief, the license fees demanded by Microsoft are higher than what  
24 Microsoft charges for a license to its entire operating system designed for mobile devices,  
25 Windows Phone 7.

26 38. On information and belief, the proposed license agreement Microsoft sent to

1 Barnes & Noble on or around January 6, 2011 was Microsoft's standard license agreement  
2 signed by others.

3 The Patents at Issue

4 39. The patents that Microsoft has identified to date—including the patents  
5 Microsoft identified as part of the discussions between Microsoft and Barnes & Noble that  
6 preceded this litigation as well as patents on which Microsoft ultimately sued—do not warrant  
7 the dominance of an entire operating system, like the open source Android™ Operating  
8 System. Indeed, although in its earlier discussions Microsoft claimed that the '517, '913,  
9 '352, '536, '853, and '780 patents allowed it to dominate and control the Android™  
10 Operating System, when it initiated both the present action and a related action before the  
11 U.S. International Trade Commission, it did not allege that the Nook™ and Nook Color™  
12 products infringe the '517, '913, '352, '536, or '853 patents, but instead limited its allegations  
13 concerning previously asserted patents to only the '780 patent.

14 40. Thus, the '517, '913, '352, '536 and '853 patents appear to be nothing more  
15 than a vehicle by which Microsoft is seeking to force device manufacturers such as Barnes &  
16 Noble to enter into expensive, overly restrictive, and unjustified license agreements. The  
17 '517, '913, '352, '536, '853, and '780 patents are the antitheses of proof that Microsoft  
18 somehow invented and has the right to control the Android™ Operating System and other  
19 open source operating systems and applications.

20 41. The '517 and '352 patents deal with nothing more than compatibility between  
21 file names employed by operating systems used and sold today, and more primitive file names  
22 employed by old, unused, and outmoded operating systems. This is of no importance to either  
23 Nook™ or Nook Color™ modern products. Neither product infringes any valid, enforceable  
24 claims of the '517 or '352 patent.

25 42. During the discussions, Microsoft also threatened Barnes & Noble with claims  
26 of infringement of the '536 and '853 patents which relate only to simulating mouse inputs

1 using non-mouse devices. The '853 patent misrepresented the state of the art at the time the  
2 patent was filed by stating that "a need exists for permitting a user to perform all operations of  
3 a mouse-type device using a stylus." This, however, is demonstrably incorrect. The '536 and  
4 '853 patents were filed in November 2000. Long before that time, numerous systems had  
5 been developed that enabled computer users to simulate mouse behavior with touch input  
6 devices. For example, U.S. Patent No. 5,327,161 to Logan et al., entitled "System and  
7 Method for Emulating a Mouse Input Device with a Touchpad Input Device" (the "'161  
8 patent"), was issued in 1994, years before the '536 and '853 patents were even filed. The  
9 '161 patent discloses a touchpad input device or touch-sensitive device that "can be used to  
10 replace the mouse cursor locator/input device in mouse-driven personal computers." (Col. 1,  
11 ll. 18-20.) The touchpad in the '161 patent performs functions of a mouse. Further evincing  
12 the lack of inventiveness of the subject matter set forth in the '536 and '853 patents, the '161  
13 patent noted that touchpad technology had been disclosed in patents that issued as early as  
14 1978. (See Col. 3, ll. 15-22.) Touchpad technology did not disappear or otherwise fade into  
15 the background in the decade between the filing of the '161 patent and Microsoft's own '536  
16 and '853 patents. A January, 14 1999 New York Times article entitled "Treading on the  
17 Mouse's Heels: The Oh-So-Subtle Touch Pad" describes "newer models of touch pads ... that  
18 ... can be trained to recognize handwritten commands." Moreover, the described touchpad  
19 allows one to "slide the finger" across the touchpad "[f]or a large cursor movement," and, just  
20 like the '536 patent, the touchpad performs different actions depending on whether a user taps  
21 or holds his or her finger on the touchpad surface. For instance, "[a] double tap equals a  
22 double click of the mouse" while the action to "tap once, then lower the finger and leave it  
23 down" equals a "highlight and drag." Further, the '536 and '853 patents relate to a concept  
24 that, while long present in the prior art, is lacking in the Nook™ and Nook Color™ devices,  
25 which were never designed for use with a mouse in this first instance, never simulate such an  
26 input, and thus cannot infringe any valid, enforceable claims of these patents.

1           43. Microsoft also threatened Barnes & Noble with claims of infringement of the  
2 '913 patent, which relates to storing input/output access factors in a shared data structure, and  
3 which clearly could not preclude the use of an entire operating system. The '913 patent  
4 specification is deficient with respect to a written description of the alleged invention and fails  
5 to provide sufficient detail for a person of skill in the art to make the subject matter of the  
6 claims. This deficiency renders the patent invalid, and in any event the claims do not cover  
7 the Nook™ and Nook Color™ devices to the extent the subject matter can be understood in  
8 light of the deficiencies. Tellingly, Microsoft was never able to fully explain how anything in  
9 the Nook™ and Nook Color™ related in any manner to the concepts set forth in the '913  
10 patent. Neither product infringes the '913 patent.

11           44. Of the patents Microsoft threatened Barnes & Noble with in the past, Microsoft  
12 has only sued Microsoft on the '780 patent. Barnes & Noble denies that the accused Nook™  
13 and Nook Color™ devices infringe any valid, enforceable claim of the '780 patent. The '780  
14 patent appears to cover nothing more than placing a loading status icon in the content viewing  
15 area of a browser. In that patent, Microsoft concedes that loading status icons and content  
16 viewing areas of a browser were both known in the prior art. The prior art placed the loading  
17 status icon outside of the viewing area, but it is nothing short of obvious to place it in the  
18 content viewing area (since there are only two locations for such an icon—either in or out of  
19 the content viewing area).

20           45. The other patents Microsoft asserts are similarly trivial, not infringed and  
21 invalid. The '372 patent relates to nothing more than a browser that recognizes background  
22 images in an electronic document and displays the background images after text. The patent  
23 refers to perception of slow displays involving background images that existed with typical  
24 internet connections and processors at the time of filing (i.e. 1996). To address this problem,  
25 the '372 patent specification first describes displaying text and then redisplaying the text  
26 again after the background image loads. While this duplicative display may have had some  
27

1 use in the 1990s, it has no value for the connectivity and processors of today used by the  
2 Nook™ and Nook Color™ devices. Neither product infringes any valid, enforceable claim of  
3 the '372 patent.

4 46. The asserted '522 patent relates to nothing more than putting known tab  
5 controls into an operating system for use by all applications, rather than providing these tabs  
6 on an application-by-application basis. However, the specification of the '522 patent makes  
7 clear that before the filing of the patent, prior art operating systems were *already* providing  
8 applications with a toolbox of common controls to utilize. While the prior art purportedly did  
9 not disclose the claimed tab controls in this toolbox, numerous applications already employed  
10 tabs to allow users to navigate between pages of information in the application. Simply  
11 putting existing tab controls into the toolbox already provided by the operating system was  
12 not inventive or patentable. In any event, the Nook™ and Nook Color™ devices do not  
13 infringe any valid, enforceable claim of the '522 patent.

14 47. The asserted '551 patent relates to using handles to change the size of selection  
15 areas for selected text. By 2000, when the '551 application's provisional was filed, text was  
16 routinely selected when reading, review or editing, and handles were routinely used to change  
17 the size of selections. The simple act of using handles for their very purpose—changing the  
18 size of selections—was neither novel nor non-obvious. Neither the Nook™ nor Nook  
19 Color™ device includes handles with the functionality required by the '551 patent's claims.  
20 Thus, no valid, enforceable claim of the '551 patent is infringed by these products.

21 48. The final asserted patent, the '233 patent, relates to the storing and displaying of  
22 annotations of text which is not modifiable. As noted in other portions of this Answer,  
23 Affirmative Defenses, and Counterclaims, the claims of the '233 patent are unenforceable  
24 because they were procured via inequitable conduct. During prosecution, Microsoft and its  
25 attorneys failed to disclose a prior art reference, U.S. Patent No. 5,146,552 to Cassorla et al.,  
26 that the European Patent Office identified as pertinent and invalidating. Further, Microsoft  
27

1 even failed to disclose the European Patent Office's assessment and description of the prior  
2 art, despite the fact that such assessment and description conflicted with Microsoft's  
3 representations of the prior art to its invention. Moreover, in addition to being unenforceable,  
4 other prior art renders the '233 patent's claims invalid. In the '233 patent itself, Microsoft  
5 admits that publishing houses wanted their documents to be in the form of non-modifiable  
6 text at the time users wanted to annotate. It was obvious to respond to the demands of both  
7 publishing houses and users. In implementing the concept of annotating non-modifiable  
8 documents, Microsoft did not have to devise any unique solutions, but merely applied well  
9 known techniques to the problem created by the advent of electronic publishing. This was  
10 nothing more than the utilization of common sense solutions to a problem, and there is  
11 nothing patentable about the concepts allegedly covered by this patent. In any event, neither  
12 the Nook™ nor Nook Color™ device employs the subject matter set forth in the '233 patent,  
13 or infringes any valid, enforceable claim of that patent.

14 49. On information and belief, Microsoft knows that the '372, '780, '522, '551, and  
15 '233 patents are of limited scope, do not disclose or claim entire operating systems like  
16 Windows Phone 7 or the Android™ Operating System, and do not preclude the use of all  
17 other open source operating systems or applications. Microsoft had no justification to seek to  
18 use these patents to preclude the development and advancement of Barnes & Noble's devices  
19 as it did in its proposed license.

20 50. For instance, at [http://blogs.technet.com/b/microsoft\\_on\\_the\\_issues/archive/  
21 2011/03/21/android-patent-infringement-licensing-is-the-solution.aspx](http://blogs.technet.com/b/microsoft_on_the_issues/archive/2011/03/21/android-patent-infringement-licensing-is-the-solution.aspx), Horacio Gutierrez,  
22 Microsoft's Corporate Vice President and Deputy General Counsel, described the '372, '780,  
23 '522, '551, and '233 patents as only embracing (1) the "display of a webpage's content before  
24 the background image is received, allowing users to interact with the page faster," (2) the  
25 "superimpos[ing of] download status on top of the downloading content", (3) "easy ways to  
26 navigate through information provided by their device apps via a separate control window

1 with tabs”; (4) “[p]rovid[ing] users the ability to annotate text without changing the  
2 underlying document”; and (5) “[p]ermit[ing] users to easily select text in a document and  
3 adjust that selection.” By Microsoft’s officer’s own description and admission, its asserted  
4 patents are not even close to covering the entire functionality of Barnes & Noble’s Nook™  
5 and Nook Color™ devices, or of the Android™ Operating System.

6 51. Despite this, Microsoft issued press releases after filing this action claiming that  
7 the Android™ Operating System generally infringes Microsoft’s patents, and that *all device*  
8 *manufacturers employing the Android™ Operating System* must license Microsoft’s patents.

9 52. Moreover, as explained in other parts of this Answer, Affirmative Defenses, and  
10 Counterclaims, the ’233 patent – one of the patents Microsoft claims dominates the  
11 Android™ Operating System – was procured by inequitable conduct. This inequitable  
12 conduct evinces Microsoft’s unclean hands and taints Microsoft’s entire portfolio.

13 53. Microsoft’s patents do not provide the *quid pro quo* to the public of advancing  
14 the state of technology commensurate with the scope of market dominance Microsoft appears  
15 to seek in the operating system market as a whole.

16 54. On information and belief, Microsoft’s attempts to dominate and control a  
17 market via reference to such patents constitutes a threat to creativity, and is contrary to the  
18 central tenets of the U.S. patent system.

19 55. Via the license price it demands and the onerous restrictions and termination  
20 provisions that would effectively require the negotiation of a new license each and every time  
21 a hardware or software update is made, Microsoft is leveraging the ’372, ’780, ’522, ’551, and  
22 ’233 patents and its other patents to render the Android™ Operating System and other open  
23 source operating systems uncompetitive and unpalatable vis-à-vis Microsoft’s own operating  
24 systems and force potential licensees to purchase Windows Phone 7 despite the fact that its  
25 patents claim only trivial and non-essential design elements, not an entire operating system.

1 Microsoft's Conduct Relating to Other Companies

2 56. On information and belief, Microsoft has also attempted to force other  
3 companies manufacturing products that use the Android™ Operating System to take  
4 expensive licenses to Microsoft's patents, using the same threat of litigation based on trivial  
5 patents it made against Barnes & Noble prior to this lawsuit.

6 57. On information and belief, one large electronics manufacturer, HTC, agreed to a  
7 license involving Microsoft's patents to avoid such a lawsuit, that may have contained  
8 controls and restrictions on HTC's activities beyond the scope of Microsoft's patents.

9 58. On information and belief, Amazon, who sells the Kindle eReader, entered into  
10 a license involving Microsoft's patents that may have contained controls and restrictions on  
11 Amazon's activities beyond the scope of Microsoft's patents.

12 59. On information and belief, Microsoft's activities have a significant, wide felt,  
13 and highly detrimental anticompetitive effect and restrain competition in the market for  
14 mobile operating systems by suppressing the use and development of open source mobile  
15 operating systems, including the Android™ Operating System, and the development of  
16 applications and devices employing the same.

17 60. On information and belief, Microsoft's activities are part of Microsoft's  
18 campaign to force open source software developers and users to pay expensive license fees  
19 (reducing their ability to compete with Microsoft) or to leave the market altogether.

20 Microsoft's Dominant Position

21 61. On information and belief, Microsoft claims to have complete control over the  
22 market for open source mobile operating systems, including the Android™ Operating System.

23 62. On information and belief, the Android™ Operating System accounts for over  
24 30% of the market for mobile operating systems both in the United States and worldwide.

25 63. On information and belief, Microsoft's own mobile operating systems,  
26 including Microsoft Windows Mobile and Windows Phone 7, account for about 10% of the

1 market for mobile operating systems in the United States and over 3% on a worldwide basis.  
2 Moreover, on information and belief, Microsoft has recently entered into an agreement with  
3 Nokia whereby Nokia will replace its own proprietary Symbian mobile operating system with  
4 Microsoft's own mobile device operating system. When this transition is complete next year,  
5 Microsoft's worldwide market share will increase to over 30% independent of Microsoft's  
6 claim that it controls the Android™ Operating System. As noted in paragraph 21 above, as  
7 part of this agreement, Microsoft and Nokia also discussed and apparently agreed on a  
8 strategy of coordinating their offensive patent assertion strategies going forward—further  
9 demonstrating the dominant position of Microsoft.

10 64. In view of Microsoft's unjustified claim of control over the Android™  
11 Operating System and its own Microsoft mobile device operating system products, Microsoft  
12 claims to control 40% of the market for mobile operating systems in the United States and  
13 will soon claim to control over 65% of the market for mobile operating systems on a  
14 worldwide basis. Microsoft thus has market power with respect to mobile operating systems.  
15 Microsoft's activities constitute patent misuse and render all the asserted claims of the '372,  
16 '780, '522, '551, and '233 patents unenforceable.

## 17 **Count II**

### 18 **(Counterclaim of Non-Infringement** 19 **of the '372, '780, '522, '551, and '233 Patents)**

20 65. Barnes & Noble incorporates by reference, as though fully set forth herein, the  
21 allegations contained in paragraphs 1 through 64 of these Counterclaims.

22 66. Barnes & Noble has not infringed and does not infringe any valid, enforceable  
23 claim of the '372, '780, '522, '551, or '233 patents.

24 67. Absent a declaration that Barnes & Noble does not infringe the '372, '780,  
25 '522, '551, and '233 patents, Microsoft will continue to wrongfully assert the '372, '780,  
26 '522, '551, and '233 patents against Barnes & Noble in violation of the laws and contrary to

1 the public policy of the United States of America, and will thereby continue to cause Barnes  
2 & Noble irreparable injury and damage.

3 **Count III**

4 **(Counterclaim of Invalidity**  
5 **of the '372, '780, '522, '551, and '233 Patents)**

6 68. Barnes & Noble incorporates by reference, as though fully set forth herein, the  
7 allegations contained in paragraphs 1 through 67 of these Counterclaims.

8 69. The claims of the '372, '780, '522, '551, and '233 patents are invalid for  
9 failure to comply with one or more of the conditions and requirements of patentability set  
10 forth in the United States Patent Laws, Title 35 U.S.C. §§ 101, 102, 103, and/or 112, and the  
11 rules, regulations, and laws pertaining thereto.

12 70. Absent a declaration that the claims of the '372, '780, '522, '551, and '233  
13 patents are invalid, Microsoft will continue to wrongfully assert the '372, '780, '522, '551,  
14 and '233 patents against Barnes & Noble in violation of the laws and contrary to the public  
15 policy of the United States of America, and will thereby continue to cause Barnes & Noble  
16 irreparable injury and damage.

17 **Count IV**

18 **(Counterclaim of Unenforceability of the**  
19 **'233 Patent Due to Inequitable Conduct)**

20 71. Barnes & Noble incorporates by reference, as though fully set forth herein, the  
21 allegations contained in paragraphs 1 through 70 of these Counterclaims.

22 72. On information and belief, the '233 patent is unenforceable due to inequitable  
23 conduct because one or more persons involved in the prosecution of the application that  
24 issued as the '233 patent violated their duty of candor and good faith in dealing with the  
25 United States Patent and Trademark Office (the "PTO") by intentionally and deceptively  
26 failing to disclose to the PTO prior art and information material to the patentability of the  
27

1 claims of the '233 patent.

2 73. Specifically, on information and belief, during prosecution of the '233 patent,  
3 attorneys from the firm Banner & Witcoff, Ltd. involved with the prosecution of the '233  
4 patent, including at least Christopher R. Glembocki, withheld material prior art and other  
5 information from the PTO relating to at least asserted claims 21 and 22 with an intent to  
6 deceive the PTO and obtain the issuance of claims to which the applicants would not  
7 otherwise be entitled.

8 74. On information and belief, Mr. Glembocki and others at Banner & Witcoff  
9 were involved with the prosecution of the application underlying the '233 patent from its  
10 filing on December 7, 1999 until its issuance on October 18, 2005. Among other things, Mr.  
11 Glembocki signed the original December 7, 1999 application, an April 20, 2000 Petition for  
12 Extension of Time, an April 20, 2000 Response to Notice to File Missing Parts of  
13 Application, and a January 22, 2004 Information Disclosure Statement.

14 75. On information and belief, the non-disclosed material prior art and other  
15 information includes at least (a) U.S. Patent No. 5,146,552 to Cassorla et al. (the "'552  
16 Cassorla patent") and (b) various papers issued or submitted in connection with international  
17 application number PCT/US00/33081 (the "'081 international application") including (i) a  
18 March 26, 2001 international search report, (ii) a January 1, 2002 written opinion, and (iii) a  
19 May 5, 2002 international preliminary examination report.

20 76. On its face, the '081 international application claims priority to U.S. patent  
21 application 09/455,806 (the "'806 application"). The '806 application issued as the '233  
22 patent. Thus, the '081 international application and '233 patent are related.

23 77. On information and belief, Mr. Glembocki was involved in the prosecution of  
24 both the '081 international application and the '806 application and is listed on  
25 correspondence in both applications' file histories.

26 78. On or around March 26, 2001, an international search report issued in  
27

1 connection with the '081 international application. This international search report listed the  
2 '552 Cassorla patent as a “[d]ocument considered to be relevant.” The international search  
3 report further stated that the '552 Cassorla patent is a “document of particular relevance” such  
4 that “the claimed invention cannot be considered novel or cannot be considered to involve an  
5 inventive step when the document is taken alone.”

6 79. On or about January 1, 2002, a written opinion issued in connection with the  
7 '081 international application and was mailed to Mr. Glembocki.

8 80. Citing the Abstract and column 2, line 5 to column 3, line 34 of the '552  
9 Cassorla patent, the January 1, 2002 written opinion noted that that patent “discloses a method  
10 for associating annotations for a certain document (object) adopting the technique of  
11 separately storing annotation and its position in order to maintain ‘unmodified’ the document  
12 itself.” Further, it was noted that “[t]his technique corresponds to and has the same effect of  
13 the storing of objects in ‘non-modifiable’ portion of the file to be annotated....”

14 81. The January 1, 2002 written opinion also noted that the claims of the '081  
15 international application are not inventive in view of the disclosure of the '552 Cassorla  
16 patent.

17 82. On or about May 2, 2002, an international preliminary examination report  
18 issued in connection with the '081 international application and was mailed to Mr.  
19 Glembocki.

20 83. The May 2, 2002 international preliminary examination report again cited the  
21 '552 Cassorla patent and noted that the claims of the '081 international application are not  
22 inventive in view of the disclosure of that patent.

23 84. The claims of the '081 international application include many of the limitations  
24 found in claims 21 and 22 of the '233 patent.

25 85. On information and belief, in view of the March 26, 2001 international search  
26 report, January 1, 2002 written opinion, and May 5, 2002 international preliminary

1 examination report, Mr. Glembocki and others involved with the prosecution of the '233  
2 patent knew of the '552 Cassorla patent and its disclosure of "a method for associating  
3 annotations for a certain document (object) adopting the technique of separately storing  
4 annotation and its position in order to maintain 'unmodified' the document itself" no later  
5 than May 5, 2002.

6 86. On information and belief, neither Mr. Glembocki nor any other individual  
7 involved in the prosecution of the '233 patent disclosed the '552 Cassorla patent or the March  
8 26, 2001 international search report, January 1, 2002 written opinion, and May 5, 2002  
9 international preliminary examination report to the PTO during prosecution of the '233 patent.

10 87. On information and belief, the '552 Cassorla patent, March 26, 2001  
11 international search report, January 1, 2002 written opinion, and May 5, 2002 international  
12 preliminary examination report were highly material to the prosecution of the '233 patent and  
13 were not cumulative to the other prior art and information of record.

14 88. More specifically, during prosecution of the '233 patent and in connection with  
15 a December 22, 2003 amendment, applicants attempted to distinguish then pending claims 25  
16 and 26 of the '806 application – which later issued as claims 21 and 22 – from prior art cited  
17 by the PTO by arguing that that prior art did not disclose, among other things, the claim  
18 limitations requiring "an electronic book including a page having user selectable objects  
19 stored in a non-modifiable portion of a file."

20 89. As noted by the March 26, 2001 international search report, January 1, 2002  
21 written opinion, and May 5, 2002 international preliminary examination report, the '552  
22 Cassorla patent discloses this same "electronic book including a page having user selectable  
23 objects stored in a non-modifiable portion of a file" feature applicants argued was missing  
24 from the prior art referenced in the December 22, 2003 amendment. Thus, the '552 Cassorla  
25 patent, along with the January 1, 2002 written opinion, and May 5, 2002 international  
26 preliminary examination report, was non-cumulative and would have been highly material to

1 the examiner considering the '233 patent's claims and the applicants' representation regarding  
2 the prior art.

3 90. Further, the identification of the '552 Cassorla patent as a "document of  
4 particular relevance" such that "the claimed invention cannot be considered novel or cannot  
5 be considered to involve an inventive step when the document is taken alone" in the March  
6 26, 2001 international search report along with the findings in the January 1, 2002 written  
7 opinion and May 2, 2002 international preliminary examination report that the claims of the  
8 '081 international application are not inventive in view of the disclosure of the '552 Cassorla  
9 patent would have been highly material to the examiner considering the '233 patent's claims  
10 because none of the other art of record was found to anticipate or render obvious asserted  
11 claims 21 and 22 of the '233 patent.

12 91. Given the materiality of the '552 Cassorla patent, the March 26, 2001  
13 international search report, January 1, 2002 written opinion, and May 5, 2002 international  
14 preliminary examination report and Mr. Glembocki's direct knowledge of these materials, on  
15 information and belief Mr. Glembocki and others involved with the prosecution of the '233  
16 patent withheld these materials with intent to deceive the PTO.

17 92. This intentional and deceptive withholding of the '552 Cassorla patent, the  
18 March 26, 2001 international search report, the January 1, 2002 written opinion, and the May  
19 5, 2002 international preliminary examination report constitutes inequitable conduct that  
20 renders the '233 patent unenforceable.

21 93. Absent a declaration that the claims of the '233 patent are unenforceable,  
22 Microsoft will continue to wrongfully assert the '233 patent against Barnes & Noble in  
23 violation of the laws and contrary to the public policy of the United States of America, and  
24 will thereby continue to cause Barnes & Noble irreparable injury and damage.

**PRAYER FOR RELIEF**

WHEREFORE, Barnes & Noble prays for entry of judgment:

A. Denying all relief sought by Microsoft in its Complaint;

B. Dismissing Microsoft's claims with prejudice;

C. Declaring the asserted claims of the '372, '780, '522, '551, and '233 patents to be not infringed, invalid, and unenforceable;

D. Awarding Barnes & Noble the cost of this suit; and

E. Declaring this suit to be exceptional, and awarding Barnes & Noble its attorneys' fees and such other and further relief as the Court deems just and appropriate.

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**DEMAND FOR JURY TRIAL**

Barnes & Noble demands a trial by jury on all issues so triable.

DATED this 25th day of April, 2011.

HILLIS CLARK MARTIN & PETERSON P.S.

By s/ Louis D. Peterson

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**CERTIFICATE OF SERVICE**

I hereby certify that on the 25th day of April, 2011, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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DATED this 25th day of April, 2011 at Seattle, Washington.

By s/ Louis D. Peterson

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