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6 Attorneys for Plaintiff-Counterdefendant
ABAXIS, INC.
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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN JOSE DIVISION

11 ABAXIS, INC.,
12
13 Plaintiff-
Counterdefendant,
14
15 v.
16
17 CEPHEID,
Defendant-
Counterclaimant.

Case No. C 10-2840 LHK
FIRST AMENDED COMPLAINT
DEMAND FOR JURY TRIAL

1 Plaintiff Abaxis, Inc. (“Plaintiff” or “Abaxis”) alleges as follows:

2 **Nature of the Action**

3 **1.** This is an action for patent infringement arising under the patent laws of the
4 United States, Title 35 of the United States Code, and for breach of contract under the laws of the
5 state of California.

6 **Parties**

7 **2.** Plaintiff Abaxis is a California corporation with its principal place of business at
8 3240 Whipple Road, Union City, California 94587.

9 **3.** On information and belief, Defendant Cepheid (“Cepheid” or “Defendant”) is a
10 California corporation with its principal place of business at 904 Caribbean Drive, Sunnyvale,
11 California 94089.

12 **Jurisdiction and Venue**

13 **4.** This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§
14 1331 and 1338(a), and supplemental jurisdiction pursuant to 28 U.S.C. § 1367.

15 **5.** On information and belief, Defendant Cepheid does business in this District and
16 has committed acts of infringement complained of herein within this District and elsewhere.
17 Personal jurisdiction over Defendant is proper in this Court because their contacts with this
18 District are sufficient to render Defendant amenable to personal jurisdiction in this District.

19 **6.** Venue is proper within this District pursuant to 28 U.S.C. §§ 1391(b),(c) and
20 1400(b) for at least the reason that Defendants reside in this District as defined in § 1391(c).

21 **Intradistrict Assignment**

22 **7.** For purposes of intradistrict assignment pursuant to Local Rule 3-2(c), this
23 Intellectual Property action is to be assigned on a district-wide basis.

24 **Count 1: Patent Infringement**

25 **(U.S. Patent No. 5,413,732)**

26 **8.** On May 9, 1995, the United States Patent and Trademark Office duly and legally
27 issued U.S. Patent No. 5,413,732 (“the ‘732 patent”), entitled “Reagent Compositions for
28 Analytical Testing.” A copy of the ‘732 patent is attached hereto as Exhibit A.

9. The following Cepheid products infringe the '732 patent: (1) the Xpert MRSA product and any other products made by the same method, including but not limited to Cepheid's MTB, GXGBS, SPC100, GXEV, MRSA/SA, SmartMix, HemosIL, and Cdifficile products; (2) any products made using Cepheid's predecessor process(es) of manufacture for which Cepheid has not paid a patent licensing fee, including without limitation Cepheid's General Purpose Reagents (Smartmix, Omnimix), Biothreat Cartridge, Assay Specific Reagent (ASR), Custom Specific Reagent (CSR), BCR/ABL-10 test kit, EV-10 test kit, Xpert MRSA, Xpert GBS, Xpert HemosIL, Xpert MRSA SA, Xpert VANA/B, Xpert Cdiff, and Xpert MTB; and (3) any other products for which Cepheid had previously been paying royalties to Abaxis prior to termination of the license.

10. As a former licensee of the '732 patent, Cepheid has been aware of the existence of the patent and, therefore, upon information and belief, Defendant's infringement is willful.

11. Defendant's infringement has injured Abaxis and will cause irreparable injury and damage in the future unless Defendants are enjoined from infringing the '732 patent.

Count 2: Patent Infringement

(U.S. Patent No. 5,624,597)

12. On April 29, 1997, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 5,624,597 ("the '597 patent"), entitled "Reagent Compositions for Analytical Testing." A copy of the '597 patent is attached hereto as Exhibit B.

13. The following Cepheid products directly and/or indirectly infringe the '597 patent: (1) the Xpert MRSA product and any other products made by the same method, including but not limited to Cepheid's MTB, GXGBS, SPC100, GXEV, MRSA/SA, SmartMix, HemosIL, and Cdifficile products; (2) any products made using Cepheid's predecessor process(es) of manufacture for which Cepheid has not paid a patent licensing fee, including without limitation Cepheid's General Purpose Reagents (Smartmix, Omnimix), Biothreat Cartridge, Assay Specific Reagent (ASR), Custom Specific Reagent (CSR), BCR/ABL-10 test kit, EV-10 test kit, Xpert MRSA, Xpert GBS, Xpert HemosIL, Xpert MRSA SA, Xpert VANA/B, Xpert Cdiff, and Xpert MTB; and (3) any other products for which Cepheid had previously been paying royalties to

Abaxis prior to termination of the license.

14. As a former licensee of the '732 patent, Cepheid has been aware of the existence of the patent and, therefore, upon information and belief, Defendant's infringement is willful.

15. Defendant's infringement has injured Abaxis and will cause irreparable injury and damage in the future unless Defendants are enjoined from infringing the '597 patent.

Count 3: Patent Infringement

(U.S. Patent No. 5,776,563)

16. On July 7, 1998, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 5,776,563 ("the '563 patent"), entitled "Dried Chemical Compositions." A copy of the '563 patent is attached hereto as Exhibit C.

17. The following Cepheid products directly and/or indirectly infringe the '563 patent: (1) the Xpert MRSA product and any other products made by the same method, including but not limited to Cepheid's MTB, GXGBS, SPC100, GXEV, MRSA/SA, SmartMix, HemosIL, and Cdifficile products; (2) any products made using Cepheid's predecessor process(es) of manufacture for which Cepheid has not paid a patent licensing fee, including without limitation Cepheid's General Purpose Reagents (Smartmix, Omnimix), Biothreat Cartridge, Assay Specific Reagent (ASR), Custom Specific Reagent (CSR), BCR/ABL-10 test kit, EV-10 test kit, Xpert MRSA, Xpert GBS, Xpert HemosIL, Xpert MRSA SA, Xpert VANA/B, Xpert Cdiff, and Xpert MTB; and (3) any other products for which Cepheid had previously been paying royalties to Abaxis prior to termination of the license.

18. As a former licensee of the '732 patent, Cepheid has been aware of the existence of the patent and, therefore, upon information and belief, Defendant's infringement is willful.

19. Defendant's infringement has injured Abaxis and will cause irreparable injury and damage in the future unless Defendants are enjoined from infringing the '563 patent.

Count 4: Patent Infringement

(U.S. Patent No. 6,251,684 B1)

20. On June 26, 2001, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 6,251,684 B1 ("the '684 patent"), entitled "Dried Chemical

1 Compositions.” A copy of the ‘684 patent is attached hereto as Exhibit D.

2 **21.** The following Cepheid products directly and/or indirectly infringe the ‘684 patent:
 3 (1) the Xpert MRSA product and any other products made by the same method, including but not
 4 limited to Cepheid’s MTB, GXGBS, SPC100, GXEV, MRSA/SA, SmartMix, HemosIL, and
 5 Cdifficile products; (2) any products made using Cepheid’s predecessor process(es) of
 6 manufacture for which Cepheid has not paid a patent licensing fee, including without limitation
 7 Cepheid’s General Purpose Reagents (Smartmix, Omnimix), Biothreat Cartridge, Assay Specific
 8 Reagent (ASR), Custom Specific Reagent (CSR), BCR/ABL-10 test kit, EV-10 test kit, Xpert
 9 MRSA, Xpert GBS, Xpert HemosIL, Xpert MRSA SA, Xpert VANA/B, Xpert Cdiff, and Xpert
 10 MTB; and (3) any other products for which Cepheid had previously been paying royalties to
 11 Abaxis prior to termination of the license.

12 **22.** As a former licensee of the ‘732 patent, Cepheid has been aware of the existence
 13 of the patent and, therefore, upon information and belief, Defendant’s infringement is willful.

14 **23.** Defendant’s infringement has injured Abaxis and will cause irreparable injury and
 15 damage in the future unless Defendants are enjoined from infringing the ‘684 patent.

16 **Count 5: Breach of Contract**

17 **24.** Until September 30, 2010, Cepheid was a licensee of the above-referenced patents.
 18 The terms of the license require Cepheid to pay a royalty for all products covered by any claim of
 19 the licensed patents, until termination or when all of such claims are held invalid.

20 **25.** As early as the end of 2010, Cepheid ceased paying royalties for at least the Xpert
 21 MRSA product, even though that product was still covered by claims of the licensed patents that
 22 had not been held invalid. Abaxis informed Cepheid that its failure to pay the royalty was a
 23 material breach of the contract, and provided Cepheid with an opportunity to cure the breach.
 24 Cepheid did not cure the breach. On September 30, 2010, Abaxis therefore terminated the
 25 license.

26 **26.** Thus, pursuant to the terms of the license, Cepheid is required to pay Abaxis a
 27 royalty for all products covered by any claim of the licensed patents, for all royalty-bearing
 28 events occurring through September 30, 2010.

Prayer for Relief

Wherefore, Plaintiff Abaxis prays for judgment against Defendant as follows:

- a) That the Court find that the Defendant has knowingly and willfully infringed and is presently infringing, directly or indirectly, United States Patent Nos. 5,413,732, 5,624,597, 5,776,563 and 6,251,684 B1;
- b) That the Court find the '732, '597, '563 and '684 patents valid and enforceable;
- c) That the Court award Abaxis damages or other monetary relief, including prejudgment interest, for Defendant's infringement;
- d) That the Court treble the damages awarded to Abaxis as provided by 35 U.S.C. § 284;
- e) That the Court find this to be an exceptional case entitling Abaxis to an award of attorney's fees, expenses, and costs pursuant to 35 U.S.C. § 285;
- f) That the Court enjoin the Defendant and its officers, directors, agents, and employees, from infringing, directly or indirectly, the '732, '597, '563 and '684 patents;
- g) That the Court award Abaxis damages for Cepheid's breach of the license agreement; and
- h) That the Court award Abaxis such other and further relief as the Court deems just and appropriate.

Jury Demand

Plaintiff Abaxis demands trial to a jury on all issues so triable.

Dated: November 19, 2010

COOLEY LLP

by: /s/ Adam M. Pivovar
Adam M. Pivovar

Attorneys for Plaintiff-Counterdefendant
ABAXIS, INC.