

1 Grant E. Kinsel (State Bar No. 172407)
E-Mail: gkinsel@foley.com
2 **FOLEY & LARDNER LLP**
3 555 South Flower Street, Suite 3500
Los Angeles, Ca 90071-2411
4 Telephone: 213.972.4500
Facsimile: 213.486.0065
5

6 Michael J. Song (State Bar No. 243675)
E-Mail: msong@foley.com
7 **FOLEY & LARDNER LLP**
975 Page Mill Road
8 Palo Alto, CA 94304-1125
Telephone: (650) 856-3700
9 Facsimile: (650) 856-3710

10 Attorneys for Defendant
11 **ABBY USA SOFTWARE HOUSE, INC.**

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13
14 **UNITED STATES DISTRICT COURT**
15 **NORTHERN DISTRICT OF CALIFORNIA**

16
17 **ABBY USA SOFTWARE HOUSE,**
INC.

18 Plaintiff,

19 vs.

20 **NUANCE COMMUNICATIONS, INC.**

21 Defendant.
22
23

Case No: CV 08-1035 MEJ

FIRST AMENDED COMPLAINT
DEMAND FOR JURY TRIAL

1 Plaintiff Abbyy USA Software House, Incorporated (“Abbyy USA”) brings
2 this First Amended Complaint against defendant, Nuance Communications,
3 Incorporated, (“Nuance”) as follows:

4 ***JURISDICTION AND VENUE***

5 1. This is an action for a declaratory judgment that U.S. Patent Nos.
6 5,131,053 (“the ’053 patent”); 5,381,489 (“the ’489 patent”); 5,436,983 (“the ’983
7 patent”), 6,038,342 (“the ’342 patent”); and 5,261,009 (“the ’009 patent”)
8 (collectively “the patents-in-suit”) are invalid and not infringed by any device
9 made, used, offered for sale or sold by Abbyy USA. This action arises under the
10 patent laws of the United States, 35 U.S.C. § 271 et seq. and the declaratory
11 judgment statute, 28 U.S.C. § 2201 et seq., and is based upon an actual justiciable
12 controversy between the parties with respect to alleged infringement and invalidity
13 of the ’053, ’489, ’983, ’342 and ’009 patents. This action also arises under the
14 Sherman and Clayton Acts.

15 2. This Court has exclusive jurisdiction over this action pursuant to 28
16 U.S.C. §§ 1338(a), 2201 and 2202.

17 3. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1391 and
18 1400.

19 ***THE PARTIES***

20 4. Plaintiff, Abbyy USA, is a California corporation having a principal
21 place of business at 47221 Fremont Boulevard, Fremont, California 94538.

22 5. Upon information and belief, Defendant, Nuance, is a Delaware
23 corporation having a principal place of business at 1 Wayside Road, Burlington,
24 Massachusetts.

25 ***ACTUAL CONTROVERSY WITHIN THIS COURT’S JURISDICTION***

26 6. Abbyy USA is in the business of selling OCR software in this judicial
27 district.

28 7. Nuance is doing business in this judicial district and elsewhere

1 throughout the United States by, inter alia, offering and selling optical character
2 recognition and other software. Nuance has asserted, and continues to assert, in this
3 judicial district and elsewhere that it is the owner of the '053, '489, '983, '342 and
4 '009 patents, that the '053, '489, '983, '342 and '009 patents are valid, and that the
5 '053, '489, '983, '342 and '009 patents are infringed by certain printer products
6 made, used, offered for sale and/or sold by Abbyy USA in this judicial district and
7 elsewhere. True and correct copies of the '053, '489, '983, '342 and '009 patents
8 are attached as Exhibits A through E, respectively.

9 8. For example, in a Complaint filed by Nuance on January 16, 2008, in
10 the U.S. District Court for the Western District of Wisconsin (Civil Action No. 08-
11 C-0042-S) (“the Wisconsin Action”), Nuance alleged, inter alia, with respect to
12 each of the '053, '489, '983, '342 and '009 patents that “Abbyy USA has infringed
13 and is continuing to infringe one or more claims of the [] patent, directly,
14 contributorily and/or by inducement, by making, using, selling and/or offering to
15 sell in this country, and/or importing into this country, devices for performing
16 optical character recognition in violation of 35 U.S.C. § 271.” Although Nuance
17 recently filed a Notice of Dismissal in the Wisconsin Action, that dismissal was
18 without prejudice and Nuance has not withdrawn its allegations of infringement,
19 leaving Abbyy USA in apprehension of further suit.

20 9. Nuance has asserted rights under the '053, '489, '983, '342 and '009
21 patents based upon certain identifiable ongoing activity of Abbyy USA (including
22 the activities of Abbyy USA identified by Nuance in the Wisconsin Action,
23 above), and Abbyy USA contends that it has the right to engage in the accused
24 activity without license under the '053, '489, '983, '342 and '009 patents.
25 Nuance’s threats of infringement with respect to the '053, '489, '983, '342 and
26 '009 patents continue against Abbyy USA, and as a result of Nuance’s above acts,
27 Abbyy USA is apprehensive that Nuance will again file suit against Abbyy USA
28 for infringement of the '053, '489, '983, '342 and '009 patents.

1 10. Accordingly, there is an actual present justiciable controversy as to
2 infringement of the '053, '489, '983, '342 and '009 patents by Abbyy USA, and as
3 to the validity of these patents.

4 ***FIRST CLAIM FOR RELIEF***

5 **(Declaratory Judgment Of Non-Infringement And**
6 **Invalidity Of U.S. Patent No. 5,131,053)**

7 11. Abbyy USA incorporates by reference paragraphs 1-10, above.

8 12. Abbyy USA has not infringed, and is not infringing, literally or under
9 the doctrine of equivalents, any valid and enforceable claim of the '053 patent
10 directly, indirectly, contributorily or by inducement.

11 13. Upon information and belief, and subject to further investigation, one
12 or more of the claims of the '053 patent are invalid because they fail to satisfy one
13 or more of the conditions for patentability under Title 35 of the United States
14 Code, including inter alia sections 101, 102, 103 and/or 112.

15 14. Accordingly, Abbyy USA seeks a judgment of this Court declaring
16 that Abbyy USA has not infringed and is not infringing any claim of the '053
17 patent, and that one or more claims of the '053 patent are invalid.

18 ***SECOND CLAIM FOR RELIEF***

19 **(Declaratory Judgment Of Non-Infringement And**
20 **Invalidity Of U.S. Patent No. 5,381,489)**

21 15. Abbyy USA incorporates by reference paragraphs 1-14, above.

22 16. Abbyy USA has not infringed, and is not infringing, literally or under
23 the doctrine of equivalents, any valid and enforceable claim of the '489 patent
24 directly, indirectly, contributorily or by inducement.

25 17. Upon information and belief, and subject to further investigation, one
26 or more of the claims of the '489 patent are invalid because they fail to satisfy one
27 or more of the conditions for patentability under Title 35 of the United States
28 Code, including inter alia sections 101, 102, 103 and/or 112.

1 18. Accordingly, Abbyy USA seeks a judgment of this Court declaring
2 that Abbyy USA has not infringed and is not infringing any claim of the '489
3 patent, and that one or more claims of the '489 patent are invalid.

4 ***THIRD CLAIM FOR RELIEF***

5 **(Declaratory Judgment Of Non-Infringement And**
6 **Invalidity Of U.S. Patent No. 5,436,983)**

7 19. Abbyy USA incorporates by reference paragraphs 1-18, above.

8 20. Abbyy USA has not infringed, and is not infringing, literally or under
9 the doctrine of equivalents, any valid and enforceable claim of the '983 patent
10 directly, indirectly, contributorily or by inducement.

11 21. Upon information and belief, and subject to further investigation, one
12 or more of the claims of the '983 patent are invalid because they fail to satisfy one
13 or more of the conditions for patentability under Title 35 of the United States
14 Code, including inter alia sections 101, 102, 103 and/or 112.

15 22. Accordingly, Abbyy USA seeks a judgment of this Court declaring
16 that Abbyy USA has not infringed and is not infringing any claim of the '983
17 patent, and that one or more claims of the '983 patent are invalid.

18 ***FOURTH CLAIM FOR RELIEF***

19 **(Declaratory Judgment Of Non-Infringement And**
20 **Invalidity of U.S. Patent NO. 6,038,342)**

21 23. Abbyy USA incorporates by reference paragraphs 1-22, above.

22 24. Abbyy USA has not infringed, and is not infringing, literally or under
23 the doctrine of equivalents, any valid and enforceable claim of the '342 patent
24 directly, indirectly, contributorily or by inducement.

25 25. Upon information and belief, and subject to further investigation, one
26 or more of the claims of the '342 patent are invalid because they fail to satisfy one
27 or more of the conditions for patentability under Title 35 of the United States
28 Code, including inter alia sections 101, 102, 103 and/or 112.

1 26. Accordingly, Abbyy USA seeks a judgment of this Court declaring
2 that Abbyy USA has not infringed and is not infringing any claim of the '342
3 patent, and that one or more claims of the '342 patent are invalid.

4 ***FIFTH CLAIM FOR RELIEF***

5 **(Declaratory Judgment Of Non-Infringement**
6 **And Invalidity Of U.S. Patent No. 5,261,009)**

7 27. Abbyy USA incorporates by reference paragraphs 1-26, above.

8 28. Abbyy USA has not infringed, and is not infringing, literally or under
9 the doctrine of equivalents, any valid and enforceable claim of the '009 patent
10 directly, indirectly, contributorily or by inducement.

11 29. Upon information and belief, and subject to further investigation, one
12 or more of the claims of the '009 patent are invalid because they fail to satisfy one
13 or more of the conditions for patentability under Title 35 of the United States
14 Code, including inter alia sections 101, 102, 103 and/or 112.

15 30. Accordingly, Abbyy USA seeks a judgment of this Court declaring
16 that Abbyy USA has not infringed and is not infringing any claim of the '009
17 patent, and that one or more claims of the '009 patent are invalid.

18 ***SIXTH CLAIM FOR RELIEF***

19 **(Actual Monopolization in Violation of § 2 of the Sherman Act)**

20 31. Abbyy USA incorporates by reference paragraphs 1-30, above.

21 32. Over the last several years, electronic storage and exchange of
22 documents has proliferated. One of the reasons for the growth in electronic
23 documents is the development of imaging software which converts paper
24 originated documents into electronic data. The growth of the Internet and e-mail
25 has resulted in a rapid expansion of the market for software to manage the
26 electronic exchange of information.

27 33. At all times material hereto, Nuance has been dominant in the market
28 for imaging software in the geographic market of the United States. Nuance

1 software has been sold directly to consumers, home offices, small businesses and
2 Original Equipment Manufacturers (OEMs).

3 34. Nuance sells and licenses imaging software to a number of large
4 OEMs, which bundle the software with multifunction devices such as printers and
5 scanners.

6 35. Nuance also sells and licenses its imaging software to other software
7 companies for various office applications.

8 36. Nuance has enhanced its dominance of these software markets by
9 acquiring competitors and patents, so that the markets would have fewer
10 competitors.

11 37. Nuance also has used its dominate position in these software markets
12 to stabilize prices and exclude competition, all to the detriment of the consuming
13 public.

14 38. Nuance has engaged in the following predatory acts, all with the
15 purpose of stabilizing prices and/or excluding competition:

16 (a) entered into exclusive contracts with retail outlets in an
17 attempt to foreclose the number of outlets available to
18 competitors' products;

19 (b) sought to reach agreement with competitors on pricing so
20 that Nuance could raise prices without regard to market
21 pressure;

22 (c) acquired and sought to acquire competitors to reduce
23 supply and raise prices;

24 (d) threatened competitors and customers of competitors
25 with increased litigation; and

26 (e) acquired patents covering OCR technology, with the
27 purpose of substantially lessening competition in software
28

1 markets.

2 39. All of said predatory conduct by Nuance was done with the intent of
3 enhancing Nuance's market share, increasing Nuance's market power, and
4 excluding competition, so that Nuance could charge higher prices, all to the
5 detriment of the consuming public.

6 40. At times material hereto, Nuance has had in excess of 70% of the
7 product market of Full Text OCR software in the geographic market of the United
8 States. This market share has given Nuance market power in Full Text OCR
9 software products.

10 41. Nuance has used its market power to engage in actual monopolization
11 of the Full Text OCR software market through the above-referenced predatory acts
12 and has exerted control over the prices of Full Text OCR software products by
13 excluding competition.

14 42. Nuance's actual monopolization has resulted in stabilized prices for
15 Nuance's Full Text OCR software, all to the detriment of the consuming public.

16 43. Through the above-referenced acts, Nuance has directly and
17 proximately damaged the business and property of Abbyy USA, by, among other
18 things, eliminating Abbyy USA as a potential and actual competitor in certain
19 retail outlets, all to the detriment of Abbyy USA's business and property.

20 ***SEVENTH CLAIM FOR RELIEF***

21 **(Attempted Monopolization in Violation of § 2 of the Sherman Act)**

22 44. Abbyy USA incorporates by reference paragraphs 1-43, above.

23 45. At certain times materials hereto, and in certain geographic sub-
24 markets within the United States, Nuance has had less than enough market power
25 to actually monopolize these markets. In these cases, Nuance has attempted to
26 monopolize the market for Full Text OCR software products by engaging in the
27 aforementioned conduct and predatory acts.

28 46. Nuance has manifested a specific intent to monopolize the market for

1 Full Text OCR software products.

2 47. There is a dangerous probability that Nuance will successfully achieve
3 monopoly power in the market for Full Text OCR software products in those
4 markets where it has not achieved actual monopolization.

5 48. Nuance's conduct in attempting to monopolize the market for Full
6 Text OCR software products has resulted in stabilized prices, all to the detriment
7 of the consuming public.

8 49. Through the above-referenced acts, Nuance has directly and
9 proximately damaged the business and property of Abbyy USA, by, among other
10 things, eliminating Abbyy USA as a potential and actual competitor, all to the
11 detriment of Abbyy USA's business and property.

12 ***EIGHTH CLAIM FOR RELIEF***

13 **(Contracts in Restraint of Trade - § 1 Sherman Act Violation)**

14 50. Abbyy USA incorporates by reference paragraphs 1-49, above.

15 51. Nuance has entered into exclusive dealing contracts with retailers
16 whereby the retailer is prohibited from selling, marketing and/or displaying
17 competitors' OCR software products.

18 52. Said exclusion of OCR software, including Abbyy USA software, has
19 had an anticompetitive effect on United States commerce by restricting the supply
20 of OCR software and rendering Nuance as the only seller of OCR software in
21 certain retail outlets. Said restriction has affected the public interest by limiting
22 choice and supply in the market for OCR software products.

23 53. Said exclusion of OCR software products, including those of Abbyy
24 USA, has resulted in damage to the business and property of Abbyy USA.

25 ***NINTH CLAIM FOR RELIEF***

26 **(§ 7 Clayton Act Violation)**

27 54. Abbyy USA incorporates by reference paragraphs 1-53, above.

28 55. Using assets acquired through acquisitions, Nuance has engaged in

1 conduct, which has had the effect of substantially lessening competition in certain
2 relevant markets, including the market for Full Text OCR software products.

3 56. In 2000, Nuance acquired Caere Corporation (“Caere”). This
4 acquisition included the acquisition of patented OCR technology. Following
5 Nuance’s acquisition of Caere and its OCR patent portfolio, Nuance engaged in
6 conduct such as that alleged above, which has had the effect of eliminating
7 capacity for the production of software with a resulting stabilizing of prices all to
8 the detriment of the consuming public.

9 57. Nuance’s conduct as alleged above has directly and proximately
10 caused Abbyy USA to lose customers and potential customers, all to the damage of
11 Abbyy USA’s business and property, and has damaged the consuming public.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, Abbyy USA requests the following relief:

14 A. Judgment declaring that Abbyy USA has not infringed and will not
15 infringe, directly or indirectly, by inducing or contributory infringement, any valid
16 or enforceable claim of the ‘053 patent;

17 B. Judgment declaring that the claims of the ‘053 patent are invalid;

18 C. Judgment declaring that Abbyy USA has not infringed and will not
19 infringe, directly or indirectly, by inducing or contributory infringement, any valid
20 or enforceable claim of the ‘489 patent;

21 D. Judgment declaring that the claims of the ‘489 patent are invalid;

22 E. Judgment declaring that Abbyy USA has not infringed and will not
23 infringe, directly or indirectly, by inducing or contributory infringement, any valid
24 or enforceable claim of the ‘983 patent;

25 F. Judgment declaring that the claims of the ‘983 patent are invalid;

26 G. Judgment declaring that Abbyy USA has not infringed and will not
27 infringe, directly or indirectly, by inducing or contributory infringement, any valid
28 or enforceable claim of the ‘342 patent;

- 1 H. Judgment declaring that the claims of the '342 patent are invalid;
- 2 I. Judgment declaring that Abbyy USA has not infringed and will not
- 3 infringe, directly or indirectly, by inducing or contributory infringement, any valid
- 4 or enforceable claim of the '009 patent;
- 5 J. Judgment declaring that the claims of the '009 patent are invalid;
- 6 K. A declaration that this case is exceptional within the meaning of 35
- 7 U.S.C. § 285 and an award of reasonable attorney fees and costs;
- 8 L. An award of damages incurred by Abbyy USA proximately caused by
- 9 the anticompetitive conduct of Nuance;
- 10 M. A tripling of the damages found to be due Abbyy USA;
- 11 N. An award of Abbyy USA's reasonable attorneys' fees;
- 12 O. Abbyy USA's costs, disbursements, and other expenses; and
- 13 P. Such other relief as the Court deems appropriate.

14 Dated: June 4, 2008

FOLEY & LARDNER LLP
GRANT E. KINSEL

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18 By: /s/ Grant E. Kinsel
GRANT E. KINSEL
Attorneys for Defendant
Abbyy USA Software House, Inc.

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Abby USA Software House, Inc. hereby demands a trial by jury.

Dated: June 4, 2008

FOLEY & LARDNER LLP
GRANT E. KINSEL

By: /s/ Grant E. Kinsel
GRANT E. KINSEL
Attorneys for Defendant
Abby USA Software House, Inc.