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9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN FRANCISCO DIVISION

12
13 Microsoft Corporation,) No. 3:10-cv-5108-EMC (filed Nov. 10, 2010)
14 *Plaintiff,*)
15 vs.) **FIRST AMENDED COMPLAINT FOR**
16 PartsRiver, Inc. and Kelora Systems, LLC,) **DECLARATORY JUDGMENT**
17 *Defendants.*)
18)

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1 Plaintiff Microsoft Corporation alleges as follows:

2 **THE PARTIES**

3 1. Plaintiff Microsoft Corporation (“Microsoft”) is a Washington corporation having its
4 principal place of business at One Microsoft Way, Redmond, WA 98052.

5 2. On information and belief, Defendant PartsRiver, Inc. (“PartsRiver”) is a Delaware
6 corporation having its principal place of business at 3155 Kearney Street, Suite 210, Fremont, CA
7 94538.

8 3. On information and belief, Defendant Kelora Systems, LLC (“Kelora”) is a Delaware
9 limited liability company having its principal place of business at 19925 Stevens Creek Boulevard,
10 Suite 100, Cupertino CA 95014.

11 **NATURE OF THE ACTION**

12 4. This is a declaratory judgment action seeking a determination that Microsoft does not
13 infringe at least reexamined claims 1 and 2 of U.S. Patent No. 6,275,821 under 35 U.S.C. § 271; that
14 at least reexamined claims 1 and 2 of this patent are invalid under at least 35 U.S.C. §§ 102, 103,
15 112, and/or 305; and/or that Microsoft has intervening rights to at least reexamined claims 1 and 2 of
16 this patent under 35 U.S.C. §§ 252 and 307(b).

17 **JURISDICTION AND VENUE**

18 5. On information and belief, this Court has personal jurisdiction over PartsRiver
19 because PartsRiver is doing business in, and has its principal place of business in, this Judicial
20 District at 3155 Kearney Street, Suite 210, Fremont, CA 94538.

21 6. On information and belief, this Court has personal jurisdiction over Kelora because
22 Kelora is doing business in, and has its principal place of business in, this Judicial District at 19925
23 Stevens Creek Boulevard, Suite 100, Cupertino CA 95014.

24 7. This Court has subject matter jurisdiction over Microsoft’s causes of action asserted
25 here pursuant to 28 U.S.C. § 1331 and 1338(a), because those claims arise under the patent laws of
26 the United States, 35 U.S.C. §§ 101, *et seq.*, and under the Federal Declaratory Judgment Act, 28
27 U.S.C. §§ 2201 and 2202.

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

1 **INTRADISTRICT ASSIGNMENT**

2 9. Pursuant to Civil Local Rule 3-2(c), this is an Intellectual Property Action that
3 normally would be assigned on a district-wide basis. However, under Civil L.R. 3-12, this action is
4 related to *PartsRiver, Inc., v. Shopzilla, Inc., et al.*, No. 4:09-cv-00811-CW and thus should be
5 assigned to Judge Wilken in the Oakland Division.

6 **FACTUAL BACKGROUND**

7 10. U.S. Patent No. 6,275,821 (“the ’821 patent”), is entitled “Method and System for
8 Executing a Guided Parametric Search,” and originally issued August 14, 2001.

9 11. The ’821 patent expires on October 14, 2014.

10 12. On information and belief, PartsRiver is and/or was the owner by assignment of the
11 ’821 patent.

12 13. On information and belief, Kelora has at least some rights to the ’821 patent.

13 14. The first-named inventor of the ’821 patent is Mohamed Sherif Danish (“Sherif
14 Danish”).

15 15. Sherif Danish lives in Cupertino, California.

16 16. Sherif Danish has referred to the ’821 patent as the “Step Search” patent.

17 17. On information and belief, after PartsRiver acquired ownership of the ’821 patent,
18 Sherif Danish encouraged PartsRiver to enforce the ’821 patent.

19 18. For example, in August 2006, Sherif Danish wrote to Horacio Woolcott, the CEO of
20 PartsRiver:

21 Horacio,

22 As promised, here is a partial list of companies that infringe on the Step Search patent.

23 Sherif

24 www.yahoo.com

25 www.circuitcity.com

26 www.officedepot.com

27 <http://www.newark.com/>

28 <http://catalog.graybar.com/>

bhinone.farnell.com/

<http://www.gcs.com/>

1 19. In April 2007, Sherif Danish identified for PartsRiver the following companies as
2 alleged “infringers” of the ’821 patent:

Portals
1) Yahoo
2) Amazon
3) Ebay
4) Google
5) MSN
Software Search Vendors
1) Endeca Technologies
2) Fast Search & Transfer
3) IBM
4) Autonomy
5) Entopia
6) Convera
7) Microsoft
8) Google
9) Coveo
10) dtSearch
11) Dieselpoint
12) Exalead
13) InQuira
14) Inxight Software
15) ISYS Software
16) Kaidara Software
17) Knova Software
18) Mercado
19) Nervana
20) Open Text
21) Oracle
22) PolySpot
23) Progress Software
24) Recommind

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25) S. L. I. Systems	
26) Thunderstone	
27) Vivisimo	
28) WCC	
29) WebSide Story	
30) X1 Technologies	
31) ZyLab	
Retailers	
Best Buy	
Circuit City	
10000 Others	

20. On information and belief, pursuant to a consulting agreement effective August 1, 2007, Sherif Danish agreed to help PartsRiver enforce the '821 patent in exchange for \$10,000 per month for the term of the agreement, plus 10% of the first \$100 million received as a result of any licenses, settlements, or judgments involving the '821 patent.

21. On October 3, 2007, PartsRiver filed a civil action in the Eastern District of Texas (No. 2:07-cv-440-DF) alleging that the following companies infringe the '821 patent: Shopzilla, Inc.; ValueClick, Inc.; PriceRunner Limited; Yahoo!, Inc.; PriceGrabber.com, Inc.; eBay Inc.; and Microsoft Corporation.

22. Claim 2 of the '821 patent depends from claim 1.

23. On February 18, 2008, PartsRiver contended that the following websites are operated by Microsoft and utilize search processes or methods which infringe upon both claims 1 and 2 of the '821 patent:

- shopping.msn.com
- <http://shopping.sympatico.msn.ca/>
- <http://magasiner.sympatico.msn.ca/>
- <http://shopping.msn.co.jp/>
- <http://shopping.ninemsn.com.au/>
- <http://shopping.msn.fr/>
- <http://shopping.msn.nl/>
- <http://shopping.msn.de/>

1 <http://shopping.msn.co.uk/>

2 24. On December 22, 2008, the United States Patent and Trademark Office (“USPTO”)
3 determined that there was a substantial new question of patentability affecting claims 1 and 2 of the
4 ’821 patent and thus ordered an *ex parte* reexamination of those claims (Reexamination Control No.
5 90/009,316).

6 25. On January 30, 2009, the Court in the Eastern District of Texas determined that “the
7 Northern District of California would clearly be a more convenient venue” and thus transferred
8 PartsRiver’s action to this Court, where it was assigned to Judge Wilken as Civil Action No. 4:09-
9 cv-00811-CW.

10 26. On May 28, 2009, Microsoft, along with other defendants in that case, filed with
11 Judge Wilken a motion for summary judgment of non-infringement and invalidity of claims 1 and 2
12 of the ’821 patent.

13 27. On June 18, 2009, an Examiner at the USPTO issued an Office Action finally
14 rejecting claims 1 and 2 of the ’821 patent under 35 U.S.C. § 102(b) as being clearly anticipated by
15 Granacki et al., *A Component Library Management System and Browser*, ISI Research Report,
16 ISI/RR-93-386, USC/Information Sciences Institute, April, 1993.

17 28. On August 21, 2009, Judge Wilken granted summary judgment that claims 1 and 2 of
18 the ’821 patent were invalid under 35 U.S.C. § 102(b) due to the on-sale bar.

19 29. On September 18, 2009, PartsRiver appealed the Examiner’s final rejection of claims
20 1 and 2 to the Board of Patent Appeals and Interferences (“BPAI”).

21 30. On September 18, 2009, PartsRiver appealed Judge Wilken’s summary judgment of
22 invalidity to the United States Court of Appeals for the Federal Circuit.

23 31. The notice of appeal that PartsRiver filed on September 18, 2009, was signed by the
24 firm Manatt, Phelps & Phillips, LLP.

25 32. On January 29, 2010, PartsRiver filed a brief in the Federal Circuit arguing that Judge
26 Wilken’s summary judgment of invalidity should be reversed.

27 33. The brief that PartsRiver filed in the Federal Circuit was signed by Manatt, Phelps &
28 Phillips, LLP.

1 34. On April 14, 2010, Microsoft, along with other defendants in that case, filed a brief in
2 the Federal Circuit arguing that Judge Wilken’s summary judgment of invalidity should be affirmed.

3 35. On information and belief, in or around May 2010, Sherif Danish became the CEO of
4 PartsRiver.

5 36. On May 20, 2010, while its appeal before the BPAI was pending, PartsRiver
6 requested entry of an amendment to claim 1, as well as entry of a new claim 9. In its remarks
7 accompanying the amendment, PartsRiver stated:

8 The amendment of claim 1 presented herein adjusts the claim language of
9 claim 1 to correspond to that of allowed claim 9.^[1] Claim 1 is now believed to
10 reflect, albeit explicitly, the legal scope of claim 1 as previously issued. As such,
11 although the text of claim 1 has been altered by amendment, the claim scope is
12 legally identical to that of originally issued claim 1. This change in language has
13 been adopted for the sole purpose of terminating the present reexamination to
14 avoid lengthy appeal proceedings.

15 37. On June 24, 2010, the Examiner dismissed the appeal to the BPAI and issued a
16 Notice of Intent to Issue Reexamination Certificate (“NIRC”) stating that the amended claim 1 and
17 the new claim 9 were allowable.

18 38. On June 29, 2010, the domain name “KELORA.COM” was registered.

19 39. Sherif Danish in Cupertino, California was listed as the “Technical Contact” and the
20 “Administrative Contact” for “KELORA.COM.”

21 40. The webpage at <http://www.kelora.com/> includes the following statement: “Kelora
22 develops the most advanced product search technologies. Our patented, award winning Step Search
23 ® technology is the industry norm for narrowing search results.”

24 41. The webpage at http://www.kelora.com/Contact_US.html provides the following
25 contact information:

26 Kelora Systems LLC
27 19925 Stevens Creek Blvd #100
28 Cupertino, CA 95014
 408-518-2055

 42. On September 28, 2010, Kelora was formed as a Delaware limited liability company.

 43. On information and belief, on or about October 7, 2010, PartsRiver assigned at least
some of its rights in the ’821 patent to Kelora.

1 44. Neither PartsRiver, Kelora, nor Manatt, Phelps & Phillips, LLP ever disclosed to
2 Microsoft that any rights in the '821 patent had been assigned to Kelora.

3 45. On October 15, 2010, PartsRiver filed a motion in the Federal Circuit to dismiss its
4 appeal and to vacate Judge Wilken's judgment of invalidity.

5 46. The motion that PartsRiver filed in the Federal Circuit was signed by Manatt, Phelps
6 & Phillips, LLP.

7 47. The motion that PartsRiver filed in the Federal Circuit did not mention Kelora.

8 48. On October 22, 2010, Microsoft, along with other defendants in that case, filed a brief
9 opposing PartsRiver's motion to vacate Judge Wilken's judgment of invalidity.

10 49. On October 27, 2010, PartsRiver filed a reply brief in the Federal Circuit in support
11 of its motion to dismiss the appeal and to vacate Judge Wilken's judgment of invalidity.

12 50. The reply brief that PartsRiver filed in the Federal Circuit was signed by Manatt,
13 Phelps & Phillips, LLP.

14 51. The reply brief that PartsRiver filed in the Federal Circuit did not mention Kelora.

15 52. On November 2, 2010, the USPTO issued a reexamination certificate for the '821
16 patent reflecting: the allowed amendment to claim 1, the confirmation of unamended dependent
17 claim 2, and the allowed new claim 9.

18 53. The reexamination certificate lists PartsRiver as the assignee.

19 54. On information and belief, PartsRiver contends that the scope of reexamined claims 1
20 and 2 of the '821 patent is legally identical to that of originally issued claims 1 and 2 of the '821
21 patent.

22 55. On information and belief, Kelora likewise contends that the scope of reexamined
23 claims 1 and 2 of the '821 patent is legally identical to that of originally issued claims 1 and 2 of the
24 '821 patent.

25 56. On November 8, 2010, Kelora filed a civil action in the Western District of
26 Wisconsin (No. 3:10-cv-683-SLC) alleging that the following companies infringe the '821 patent:
27 Target Corporation; OfficeMax Incorporated; ShopKo Stores Operating Co., LLC; Briggs & Stratton
28 Corporation; Chelsea & Scott, Ltd., d/b/a One Step Ahead & Leaps And Bounds; National Business

1 Furniture, LLC’ BuyOnlineNow, Inc.; Rockler Companies, Inc.; IDW, LLC, d/b/a ID Wholesaler; 1-
2 800-Flowers.com, Inc.; PC Connection, Inc.; Eastbay, Inc.; and Mason Companies, Inc., d/b/a
3 Maryland Square.

4 57. Kelora included the following allegation in its complaint in the Western District of
5 Wisconsin: “Kelora is the owner by assignment of all right, title and interest in U.S. Patent No.
6 6,275,821 (“’821 patent’), entitled, ‘Method and system for executing a guided parametric search,’
7 which was duly and properly issued by the U.S. Patent & Trademark Office on August 14, 2001.”

8 58. Kelora included the following allegation in its complaint in the Western District of
9 Wisconsin: “Defendants, and each of them, have infringed and continue to infringe the ‘821 patent
10 by, inter alia, making and using parametric search systems, including web-based parametric search
11 systems, and performing parametric searches that infringe the ‘821 patent.”

12 59. The complaint filed by Kelora in the Western District of Wisconsin lists Manatt,
13 Phelps & Phillips, LLP as attorneys for Kelora in that action.

14 60. Based on the foregoing, there is a substantial controversy between (i) PartsRiver
15 and/or Kelora and (ii) Microsoft, of sufficient immediacy and reality, to warrant the issuance of a
16 declaratory judgment with respect to non-infringement, invalidity, and/or intervening rights with
17 respect to at least reexamined claims 1 and 2 of the ’821 patent.

18 **COUNT I**

19 **DECLARATORY JUDGMENT OF NONINFRINGEMENT**

20 61. Microsoft repeats and incorporates by reference the allegations of paragraphs 1–60 in
21 their entirety.

22 62. Microsoft has not infringed, and is not now infringing, at least reexamined claims 1
23 and 2 of the ’821 patent.

24 **COUNT II**

25 **DECLARATORY JUDGMENT OF INVALIDITY**

26 63. Microsoft repeats and incorporates by reference the allegations of paragraphs 1–60 in
27 their entirety.

28 64. At least reexamined claims 1 and 2 of the ’821 patent are invalid.

1 **COUNT III**

2 **DECLARATORY JUDGMENT OF INTERVENING RIGHTS**

3 65. Microsoft repeats and incorporates by reference the allegations of paragraphs 1–60 in
4 their entirety.

5 66. The scope of reexamined claim 1 of the '821 patent is not legally identical to the
6 scope of any original claim of the '821 patent.

7 67. The scope of reexamined claim 2 of the '821 patent is not legally identical to the
8 scope of any original claim of the '821 patent.

9 68. Under 35 U.S.C. § 252, ¶ 1 & § 307(b), PartsRiver may not bring an action against
10 Microsoft for causes arising before November 2, 2010, with respect to at least reexamined claims 1
11 and 2 of the '821 patent.

12 69. Under 35 U.S.C. § 252, ¶ 1 & § 307(b), Kelora may not bring an action against
13 Microsoft for causes arising before November 2, 2010, with respect to at least reexamined claims 1
14 and 2 of the '821 patent.

15 70. Under 35 U.S.C. § 252, ¶ 2 & § 307(b), Microsoft is entitled to absolute intervening
16 rights with respect to at least reexamined claims 1 and 2 of the '821 patent.

17 71. Under 35 U.S.C. § 252, ¶ 2 & § 307(b), Microsoft is entitled to equitable intervening
18 rights for the protection of investments made or business commenced before November 2, 2010,
19 with respect to at least claims 1 and 2 of the '821 patent.

20 **PRAYER FOR RELIEF**

21 **WHEREFORE**, Microsoft prays for the following relief:

22 A. A declaration that Microsoft has not infringed and is not infringing at least
23 reexamined claims 1 and 2 of the '821 patent;

24 B. A declaration that at least reexamined claims 1 and 2 of the '821 patent are
25 invalid;

26 C. A declaration that PartsRiver may not bring an action against Microsoft for
27 causes arising before November 2, 2010, with respect to at least reexamined claims 1 and 2 of the
28 '821 patent;

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D. A declaration that Kelora may not bring an action against Microsoft for causes arising before November 2, 2010, with respect to at least reexamined claims 1 and 2 of the '821 patent;

E. A declaration that Microsoft is entitled to absolute intervening rights with respect to at least reexamined claims 1 and 2 of the '821 patent;

F. A declaration that Microsoft is entitled to equitable intervening rights with respect to at least reexamined claims 1 and 2 of the '821 patent;

G. An order declaring that Microsoft is a prevailing party and that this is an exceptional case, awarding Microsoft its costs, expenses, disbursements, and reasonable attorneys' fees under 35 U.S.C. § 285 and all other applicable statutes, rules, and common law;

H. That PartsRiver and/or Kelora be ordered to pay all costs associated with this action; and

I. That Microsoft be granted such other and additional relief as the Court deems just and proper

1 Dated: December 21, 2010

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