

1 David T. Pritikin (*pro hac vice*)
e-mail: dpritikin@sidley.com
2 Richard A. Cederoth (*pro hac vice*)
e-mail: rcederoth@sidley.com
3 Douglas I. Lewis (*pro hac vice* pending)
e-mail: dilewis@sidley.com
4 SIDLEY AUSTIN BROWN & WOOD LLP
5 Bank One Plaza
10 South Dearborn Street
6 Chicago, Illinois 60603
7 Phone: (312) 853-7000
Fax: (312) 853-7036

8
9 Bryan K. Anderson (SBN 170666)
e-mail: bkanderson@sidley.com
10 SIDLEY AUSTIN BROWN & WOOD LLP
555 California Street, Suite 2000
11 San Francisco, CA 94104
Phone: (415) 772-1200
12 Fax: (415) 772-7400

13 Attorneys For Plaintiff Microsoft Corporation

14
15 IN THE UNITED STATES DISTRICT COURT
16 FOR NORTHERN DISTRICT OF CALIFORNIA
17 SAN FRANCISCO DIVISION

18 MICROSOFT CORPORATION,
a Washington corporation,

19 Plaintiff,

20 vs.

21 COMPRESSION LABS, INC., a Delaware
22 corporation and FORGENT NETWORKS,
23 INC., a Delaware corporation,

24 Defendants.

) Case No. C 05 01567 WHA
) (Filed April 15, 2005)

) **MICROSOFT CORPORATION'S**
) **AMENDED COMPLAINT AND DEMAND**
) **FOR JURY TRIAL**

NATURE OF THE ACTION

1
2 1. Microsoft Corporation (“Microsoft”), files this complaint against Compression
3 Labs, Inc. (“CLI”) and Forgent Networks, Inc. (“Forgent”) (collectively referred to herein as
4 “CLI/Forgent” or “Defendants”) seeking, among other relief, the following: (a) a declaratory
5 judgment that U.S. Patent No. 4,698,672 (“the ‘672 patent”) (attached as Exhibit A) is not
6 infringed, is invalid and is unenforceable, in whole or in part, for the reasons alleged below; (b) a
7 declaratory judgment that Microsoft has a direct and/or implied license to the ‘672 patent; (c) a
8 declaratory judgment that CLI/Forgent be estopped from attempting to enforce the ‘672 patent;
9 and (d) damages and declaratory relief under statutory and common law for CLI/Forgent’s
10 statutory unfair competition, fraud, negligent misrepresentation, equitable estoppel and patent
11 misuse.

12 **A. Microsoft’s Interest In This Action**

13 2. CLI/Forgent’s has attempted to enforce the ‘672 patent against a number of
14 Microsoft’s customers including in several actions filed by CLI in the Eastern District of Texas,
15 namely *Compression Labs, Inc. v. Agfa Corp., et al.*, Civil Action No. 2:04-CV-158 DF (E.D.
16 Tex.), *Compression Labs, Inc. v. Dell, Inc., et al.*, Civil Action No. 2:04-CV-159 DF (E.D. Tex.),
17 and *Compression Labs, Inc. v. Acer America Corporation, et al.*, Civil Action No. 2:04-CV-294
18 DF (E.D. Tex.) (collectively, “the Texas Actions”).

19 3. CLI/Forgent has alleged in the Texas Actions that the ‘672 Patent covers the
20 international standard adopted by the Joint Photographic Experts Group (the “JPEG Standard”).

21 4. Microsoft designs, makes, and licenses some computer software products
22 (“Microsoft Products”) that include or incorporate functionality operable in accordance with the
23 JPEG Standard. Microsoft licenses one or more of such Microsoft Products to at least the
24 following entities that CLI/Forgent has accused, in the Texas Actions, of infringing the ‘672
25 patent: Apple Computer, Dell, Inc., Fujitsu USA Incorporated, Gateway, Inc., Hewlett-Packard
26 Company, and International Business Machines Corporation. These Microsoft customers, and
27
28

1 others, are declaratory judgment plaintiffs in *Agfa Corp., et al. v. Compression Labs, Inc., et al.*,
2 Civil Action No. 04-818 SLR (D. Del.) (“the Delaware 818 Action”).

3 5. CLI/Forgent has alleged in the Texas Actions that Microsoft’s customers infringe
4 the ‘672 patent by selling, offering to sell, using, and importing products that incorporate or
5 include one or more Microsoft Products. Accordingly, some of CLI’s patent infringement claims
6 in the Texas Actions relate to Microsoft Products. Based upon CLI’s actions in the Texas
7 Actions, Microsoft reasonably expects that CLI will assert the same or similar infringement
8 allegations against the same parties in the Delaware 818 Action if and when the Texas Actions
9 are dismissed prior to determination of the merits of CLI’s claims.

10 6. In addition to bringing suit against Microsoft’s customers in the Texas Actions,
11 CLI/Forgent has suggested to Microsoft, in correspondence, that Microsoft needs to take a
12 license under the ‘672 patent to “compensate CLI for [Microsoft’s] use of JPEG encoding and
13 decoding technology covered by the ‘672 Patent.” Therefore, Microsoft has an objectively
14 reasonable apprehension that CLI/Forgent will bring suit against it.

15 7. An actual controversy exists between Microsoft and the Defendants, and
16 Microsoft is entitled to declaratory relief in the form requested herein.

17 **B. Factual Background**

18 8. The JPEG Standard was first adopted in September 1992, following years of
19 research and collaboration in the international standards community, which included the
20 International Standards Organization (“ISO”), the International Telegraph and Telephone
21 Consultative Committee (“CCITT”) and the American National Standards Institute (“ANSI”).

22 9. The JPEG Standard defines an international standard for compression,
23 decompression, transmission and storage of digital still images – anything from photographs to
24 documents to graphics. The JPEG Standard permits users to store and share digital still images
25 among products from various manufacturers without concern over compatibility. Products that
26 incorporate the JPEG Standard include a wide variety of hardware devices or software
27 applications such as personal computers, personal digital assistants, digital cameras, digital

1 camcorders, cellular telephones, Internet browsers, document or photo viewers, editing software,
2 printers, scanners, fax machines and the like. The most common representation of the JPEG
3 Standard is the “.jpg” file extension used on computers and related devices to store photographs
4 and other digital still images.

5 10. CLI/Forgent has been and is attempting unlawfully to subvert the JPEG Standard
6 and to extract millions of dollars in unwarranted profits based on consumers’ long reliance on the
7 JPEG Standard through their purchases of JPEG-enabled products. Now that industries and their
8 customers have adopted and become dependent on the JPEG Standard, CLI/Forgent is
9 attempting to assert the ‘672 patent against the standard, insisting that the ‘672 patent covers
10 technology embodied in and essential to practicing the JPEG Standard.

11 11. CLI/Forgent has initiated a campaign of threats, litigation and other tactics
12 designed to cause doubt and uncertainty and ultimately to prevent others from freely practicing
13 the JPEG Standard. CLI/Forgent intends to force manufacturers to make unwarranted licensing
14 payments to CLI/Forgent, thus denying producers and users of JPEG-enabled products the
15 benefits and efficiencies of a ubiquitous standard. CLI has sued more than 30 companies that
16 refused to capitulate to its licensing demands, wrongfully alleging that the practice of the JPEG
17 Standard infringes the ‘672 patent.

18 12. CLI/Forgent’s campaign to enforce the ‘672 patent stems from a history of
19 deception, delay and improper behavior. CLI’s unlawful conduct is highlighted, in part, by the
20 following:

21 i) CLI intentionally failed to disclose known, material prior art to the United
22 States Patent and Trademark Office (the “Patent Office”);

23 ii) CLI engaged in a pattern of misleading conduct, silence and
24 misrepresentations about the purported relevance of the ‘672 patent to the JPEG Standard,
25 despite being repeatedly requested to disclose any relevant patents while knowing that the JPEG
26 committee sought to develop a baseline standard that could be implemented on a compensation-

1 free basis and voting to approve the JPEG Standard and otherwise participating in JPEG-related
2 standard-setting activities;

3 iii) CLI/Forgent unreasonably and inexcusably delayed in notifying Microsoft
4 and its customers of their alleged infringement; and

5 iv) CLI/Forgent committed deceptive and misleading conduct by claiming to
6 have acquired control over the technology in the JPEG Standard that companies have
7 incorporated into their products, despite the knowledge that: (a) the '672 patent is not infringed,
8 is invalid and is unenforceable; (b) the '672 patent was obtained through fraud on the Patent
9 Office by failing to disclose anticipatory prior art; and (c) CLI failed to disclose the purported
10 applicability of the '672 patent to the standard-setting community, during its participation in the
11 adoption of the JPEG Standard.

12 **I. THE PARTIES**

13 13. Microsoft is a corporation organized and existing under the laws of Washington.
14 Microsoft's principal place of business is in Redmond, Washington. Microsoft designs,
15 manufactures, and licenses some computer software products that incorporate JPEG algorithms
16 and are designed to be compliant with the JPEG Standard. Microsoft, and its customers, are
17 consumers of the technology incorporated in the JPEG Standard, which CLI/Forgent unlawfully
18 and fraudulently maintains infringes CLI's invalid and unenforceable '672 patent. Microsoft
19 does business in this and other judicial districts.

20 14. Defendant CLI, a corporation organized and existing under the laws of Delaware,
21 is a wholly-owned subsidiary of Defendant Forgent. On information and belief, CLI has no
22 principal place of business and currently engages in no operations other than the licensing of one
23 or more patents through attorneys controlled by Forgent. CLI claims to be an owner of the '672
24 patent. CLI asserts, both directly and through Forgent, that no one may make, offer to sell, sell
25 or use JPEG-enabled devices in the United States without a license to the '672 patent from
26 CLI/Forgent. In the Texas Actions, CLI has sued Microsoft's customers and other parties for
27 allegedly infringing the '672 patent by making, using, offering to sell, or selling JPEG-enabled
28

1 products, including those incorporating Microsoft Products. Some of Microsoft's customers
2 have filed a declaratory judgment actions against defendants in Delaware. Some of Microsoft's
3 customers that have received infringement allegations from CLI based in part upon their
4 licensing, sale or distribution of products including or incorporating Microsoft Products are
5 resident in this judicial district.

6 15. Defendant Forgent is a corporation organized and existing under the laws of
7 Delaware. Forgent's principal place of business is at 108 Wild Basin Drive, Austin, Texas.
8 Forgent's stock is publicly traded on the NASDAQ stock exchange (Stock Symbol: FORG).
9 Forgent claims its patent licensing program is focused on generating license revenues relating to
10 Forgent's data compression technology, which includes the fraudulently-obtained '672 patent.
11 Forgent has been and is asserting the '672 patent in licensing and litigation through its wholly-
12 owned subsidiary, CLI. On information and belief, Forgent is registered to, and does, transact
13 business in California.

14 16. With respect to all or part of the conduct alleged herein, Defendants CLI and
15 Forgent acted as one another's alter egos and/or agents. To that extent, CLI and Forgent are
16 jointly and severally liable for the damages and other harm that either of them caused to
17 Microsoft.

18 **II. JURISDICTION AND VENUE**

19 17. This action arises under the Federal Declaratory Judgments Act, 28 U.S.C.
20 §§ 2201 and 2202, the United States patent laws, and the laws of California. An actual,
21 substantial and continuing justiciable controversy exists between Microsoft and Defendants that
22 requires a declaration of rights by this Court.

23 18. The Court has subject matter jurisdiction over these claims under 28 U.S.C.
24 §§ 1331, 1337 and 1338. The Court has supplemental jurisdiction over Microsoft's state law
25 claims under 28 U.S.C. § 1367.

26 19. The Court has personal jurisdiction over Defendants by virtue of, among other
27 things, Defendants' attempts to enforce the '672 patent against Microsoft's customers located in
28

1 this district and meetings relating to the '672 patent with Microsoft's customers in this district.
2 On information and belief, Defendants or their agents on their behalf have licensed rights under
3 the '672 patent to one or more companies in this judicial district.

4 20. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391 and 1400.

5 **III. BACKGROUND OF DEFENDANTS' UNLAWFUL CONDUCT**

6 **A. CLI Defrauded the Patent Office in Obtaining the '672 Patent.**

7 21. On October 27, 1986, CLI filed with the Patent Office an application (serial
8 number 06/923,630) ("the '630 application") that ultimately issued as the '672 patent on October
9 6, 1987. The '630 application named Wen-hsiung Chen ("Chen") and Daniel J. Klenke
10 ("Klenke") as the inventors. Chen and Klenke, then CLI employees, assigned their rights to CLI.
11 The '630 application, authorized by at least CLI's Vice President James M. Walker ("Walker"),
12 was accompanied by a power of attorney appointing David E. Lovejoy ("Lovejoy") and the
13 attorneys of Fliesler, Dubb, Meyer & Lovejoy as authorized agents to prosecute the application.

14 22. When filing the '630 application, Chen and Klenke submitted to the Patent Office
15 a declaration under penalty of perjury attesting that they were the original, first and joint
16 inventors of the subject matter claimed in the '630 application. On behalf of themselves and
17 CLI, they acknowledged in their declaration a duty to disclose to the Patent Office information
18 material to the examination of the '630 application under 37 C.F.R. § 1.56 ("Patent Rule 56").

19 23. Under Patent Rule 56, at all relevant times relating to the '630 application, a duty
20 of candor and good faith toward the Patent Office rested on at least the following individuals: (i)
21 Chen and Klenke; (ii) every attorney or agent who prepared or prosecuted the '630 application,
22 including Lovejoy and others at his law firm involved in the '630 application; and (iii) every
23 other individual associated with Chen, Klenke, or CLI that was substantively involved in the
24 preparation or prosecution of the '630 application. Patent Rule 56 further mandated that all such
25 individuals had a duty to disclose to the Patent Office any information they were aware of that
26 was material to the examination of the '630 application. Patent Rule 56 specified that
27

1 information was material if there was “a substantial likelihood that a reasonable examiner would
2 consider it important in deciding whether to allow the application to issue as a patent.”

3 24. Despite their duty of candor and good faith, individuals employed by CLI
4 intentionally withheld material information from the Patent Office during the pendency of the
5 ‘630 application. The information withheld was material and, had the examiner been aware of
6 the information at any time before issuance of the ‘672 patent, the patent would not have issued
7 or, at the very least, would have issued with a substantially different scope. From these
8 circumstances, including the high degree of materiality, the decision not to disclose the
9 information to the Patent Office was, on information and belief, made with the intent to defraud
10 and/or deceive the Patent Office into issuing the ‘672 patent.

11 25. Prior to the issuance of the ‘672 patent, CLI and others substantively involved in
12 the preparation and prosecution of the ‘672 patent were in possession of the following material
13 information: (i) the prior public use of the technology at issue in the ‘630 application by a
14 company called Widcom more than a year before the October 27, 1986 filing date of the patent
15 application; (ii) the prior commercial sale of the technology at issue in the ‘630 application, as
16 incorporated into a videoconferencing codec (short for “coder/decoder”) manufactured and sold
17 by Widcom, called the Widcom VTC-56, more than a year before the October 27, 1986 filing
18 date of the application; and (iii) information about Widcom and the Widcom VTC-56
19 demonstrating that the invention sought for patenting was known or used by others in the United
20 States before the time of the claimed invention thereof by Chen and Klenke.

21 26. The Widcom VTC-56 anticipates the claims of the ‘672 patent. CLI and others
22 involved in the application for the ‘672 patent knew the details of the Widcom VTC-56 from a
23 close and adversarial relationship with Widcom.

24 27. As alleged below, over several years preceding the ‘630 application that gave rise
25 to the ‘672 patent, CLI and Widcom were engaged in extensive litigation substantially relating to
26 Widcom’s commercialization of the Widcom VTC-56. CLI ultimately defeated Widcom
27 through its various lawsuits and purchased in bankruptcy the rights, assets and technologies

1 relating to the Widcom VTC-56. CLI took full legal title to the assets and important documents
2 relating to the Widcom VTC-56 before the '672 patent issued. Despite CLI's extensive
3 knowledge of the Widcom VTC-56 obtained as a result of the litigation with Widcom and
4 acquisition of the Widcom VTC-56 device, neither CLI nor anyone else responsible for the '630
5 application disclosed the prior sales of the Widcom VTC-56 or other related invalidating prior art
6 to the Patent Office.

7 **1. CLI Learns Detailed Information About the Widcom VTC-56 Prior Art in**
8 **Trade Secret Litigation Against Widcom.**

9 28. CLI was first incorporated in California in December 1976. In late 1979, a former
10 principal of CLI left CLI to start another company, called Widergren Associates. Other CLI
11 employees later became employed by Widergren Associates. Widergren Associates was
12 incorporated in 1983 and renamed Widergren Communications ("Widcom").

13 29. On or about June 4, 1981, CLI filed a lawsuit in the Superior Court of the State of
14 California, County of Santa Clara, Case No. 476629, against Widcom and several of its
15 employees alleging, among other things, trade secret misappropriation. The trade secret lawsuit
16 charged that Widcom and the other defendants misappropriated certain CLI proprietary
17 information relating to the compression of data associated with video and other signals. The
18 lawsuit focused on Widcom's development of a prototype video data compression system for
19 Bell & Howell. On information and belief, the Bell & Howell prototype was a 256 Kbps video
20 compressor and the Widcom VTC-56's predecessor.

21 30. On or before March 23, 1983, while the trade secret lawsuit was pending,
22 Widcom was awarded a contract by the Defense Advanced Research Projects Agency
23 ("DARPA"), an agency of the U.S. Department of Defense, to produce a prototype 56 Kbps
24 video conferencing codec. On information and belief, Widcom successfully developed and
25 delivered to DARPA at least five 56 Kbps video conferencing codecs, together with various
26 reports and test results, on or before the conclusion of the contract. On information and belief,
27

1 the 56 Kbps codec developed and delivered under the DARPA contract was thereafter
2 commercially marketed and sold by Widcom as the Widcom VTC-56.

3 31. On or about May 23, 1983, CLI and Widcom entered into a settlement agreement
4 relating to the trade secret lawsuit. That same day, the court entered an Order for Permanent
5 Injunction Pursuant to Stipulation (“Permanent Injunction”). Under the terms of the settlement
6 and Permanent Injunction, Widcom agreed to disclose to CLI (as assignee of Widcom’s Bell &
7 Howell contract) “any and all inventions made by or on behalf of Widcom as a direct result of
8 the work performed” under the Bell & Howell contract.

9 32. On information and belief, as a result of the litigation, including the disclosures
10 required by the Permanent Injunction, CLI became aware of the details of the Widcom VTC-56.

11 **2. As Widcom Continues to Commercialize the Widcom VTC-56, CLI Initiates**
12 **Further Litigation Against Widcom.**

13 33. After the settlement of the trade secret lawsuit, Widcom entered into a series of
14 agreements to sell and/or distribute the Widcom VTC-56, including agreements with Comsat
15 General Corp. (dated June 1983), Vitalink Corp. (dated July 1983) and Pierce Phelps, Inc. (dated
16 November 1983).

17 34. Widcom’s development and commercialization of the Widcom VTC-56 was
18 publicized in 1983 and 1984 on at least the following occasions:

19 i) In November 1983, *Electronics* magazine reported that the Widcom VTC-
20 56 was being given to the U.S. Navy for testing.

21 ii) In November 1983, PR Newswire reported that Widcom’s “shipment of its
22 new video conferencing codec...will begin in early spring of 1984. Initial production models will
23 be available by the end of January 1984.”

24 iii) In January 1984, several Widcom employees authored an article published
25 in *Electronics* entitled “Codec squeezes color teleconferencing though digital telephone lines,”
26 which focused on the Widcom VTC-56.
27

1 iv) In May 1984, *Computerworld* magazine publicized the availability of the
2 Widcom VTC-56, describing it as a “coder-decoder (that) allows transmission of color TV
3 pictures via a 56 kbits telephone or satellite link.”

4 v) In June 1984, *MIS Week* magazine reported the introduction of Widcom’s
5 VTC-56 codec.

6 vi) In August 1984, *Electronic Imaging* magazine reported that Widcom
7 displayed its VTC-56 coder-decoder at the International Communications Association’s annual
8 meeting in Las Vegas, Nevada.

9 35. On information and belief, Widcom’s commercialization of the Widcom VTC-56
10 prompted CLI to take further legal action against Widcom. In or about September 1984, CLI
11 successfully petitioned the Santa Clara County Superior Court to appoint Dr. Harry Jones as
12 Special Master “to review the activities of defendants in the development, manufacture, sale or
13 license of video data compression devices.” The Special Master was directed to submit a report
14 to the Court regarding whether Widcom was in compliance with the May 1983 Permanent
15 Injunction.

16 36. The Special Master released his report in November 1985, but in the intervening
17 months Widcom continued to publicize, market and sell the Widcom VTC-56, including:

18 i) In September 1984, Widcom published its SEC Form 10-K for the fiscal
19 year ending June 30, 1984, which stated in part:

20 In March 1983, the Company entered into a contract with the
21 Defense Advance Research Projects Agency (DARPA), an agency
22 of the United States Department of Defense, to produce one
23 prototype video teleconferencing codec. This contract was
24 completed early in 1984 and eight units of the resulting product,
25 the VTC-56, were shipped in June 1984.

26 ii) In October 1984, Widcom announced its new motion color system, called
27 the PVS (Personal Videoconferencing Station), stating: “When used in conjunction with
28 Widcom’s VTC-56 coder/decoder, users may telephone across the country or around the world

1 using one of several common carriers with video transmitted and received at 56 kbps over digital
2 phone lines or satellite links.”

3 iii) That same month, Widcom received a “Teleconferencing Award” at the
4 Third Annual Teleconference Magazine Awards Dinner (TeleCon IV) for its “Development of
5 the Widcom 56 kbps Codec.”

6 iv) In May 1985, Widcom signed a distribution agreement with Telefonbau
7 und Normalzeit GmbH (“Telenorma”), whereby Telenorma ordered three Widcom VTC-56s for
8 testing and registration with the German government.

9 v) In June 1985, Widcom signed a distribution agreement with Jeumont-
10 Schneider, whereby Jeumont-Schneider ordered two VTC-56s for experimentation and approval
11 by the French Administration. That same month, Widcom also signed a distribution agreement
12 with Mitsui & Co., Ltd. that included an initial purchase of four Widcom VTC-56s.

13 vi) In September 1985, Widcom published its SEC Form 10-K for the fiscal
14 year ending June 30, 1985, reporting that it had shipped 57 Widcom VTC-56s. Widcom also
15 announced it had introduced in August 1985 its next-generation codec, the VTC-56B.

16 vii) In November 1985, DARPA issued a report titled “Design, Development
17 and Installation of a two-node, color video teleconferencing system for the U.S. Navy,” which
18 described the Widcom VTC-56 as “the heart of the Navy Video-Teleconferencing System.” The
19 report states that the Widcom VTC-56 went into operation in August 1985.

20 37. In November 1985, Special Master Jones issued his Report concerning Widcom’s
21 compliance with the May 1983 Permanent Injunction. The Report concluded that Widcom
22 should be held in contempt of court because: (a) Widcom had signed 14 licensing, sales,
23 distribution and development contracts between February 1982 and June 1985; and (b) Widcom
24 provided information on the VTC-56 to the public and to customers, including a March 1983
25 DARPA Algorithm Report, a 1984 Widcom VTC-56 Manual, and a collection of articles written
26 and lectures given by Widcom employees from 1983 to 1985.

1 **3. Details of the Widcom VTC-56 Are Shared with CLI's Employees and**
2 **Directors.**

3 38. On or about December 2, 1985, CLI successfully petitioned the Santa Clara
4 Superior Court to modify the protective order in the trade secret lawsuit to allow the Special
5 Master Report to be distributed to "CLI employees and directors." According to CLI's 1985
6 SEC filings, its directors at the time included John E. Tyson, James M. Walker, Arthur G.
7 Anderson, Thomas J. Davis, Jr., John R. Dougery, Robert E. Schroeder and David A. Wegman.

8 **4. CLI Sues Widcom for Patent Infringement Over the Widcom VTC-56, in**
9 **Which CLI Acknowledges Widcom's Commercialization of the VTC-56.**

10 39. In December 1985, CLI filed a patent infringement lawsuit against Widcom in the
11 United States District Court for Northern District of California (the "Widcom Patent Suit"). The
12 Widcom Patent Suit did not involve the '672 patent (the application for which had not yet been
13 filed), but rather CLI alleged that Widcom infringed two related patents. The Widcom Patent
14 Suit, which focused primarily on the Widcom VTC-56, claimed that Widcom had: (a)
15 "commenced manufacture" of the Widcom VTC-56; (b) "marketed and distributed" the Widcom
16 VTC-56; and (c) entered into distribution or resale agreements with at least five distributors
17 relating to the Widcom VTC-56. CLI was represented in the Patent Suit by, among others,
18 David Lovejoy of Fliesler, Dubb, Meyer & Lovejoy.

19 40. In June 1986, Widcom filed a Chapter 11 bankruptcy petition in the United States
20 Bankruptcy Court for the Northern District of California (Case No. 586-02619-M). In August
21 1986, CLI Vice President of Finance, James M. Walker, submitted a Proof of Claim on behalf of
22 CLI in the Widcom bankruptcy proceeding. In its Proof of Claim, CLI stated it was a claimant
23 of Widcom in excess of \$1 million because of the pending Widcom Patent Suit.

24 **5. CLI Files the '630 Application But Fails to Disclose the Widcom VTC-56**
25 **Prior Art.**

26 41. On October 27, 1986, while the Widcom Patent Suit was pending, Chen and
27 Klenke filed the '630 application in the Patent Office. As alleged above, the Power of Attorney
28

1 filed with the '630 application appointed Lovejoy as the patent lawyer authorized to prosecute
2 the '630 application – the same lawyer who was listed as counsel of record for CLI in the Patent
3 Suit involving the Widcom VTC-56. The Power of Attorney was executed for CLI by Walker,
4 who had previously executed the Proof of Claim in the Widcom bankruptcy proceeding. On
5 information and belief, as a director of CLI, Walker also had knowledge of the Special Master
6 Report discussing the Widcom VTC-56.

7 42. According to the prosecution history of the '672 patent, neither the inventors nor
8 CLI's patent attorneys ever disclosed any prior art to the Patent Office during the prosecution of
9 the '630 application. Each of the five references cited on the face of the '672 patent were
10 discovered by the patent examiner. There was never any disclosure relating to the Widcom
11 VTC-56, a device that anticipates, or at the very least makes obvious, the claims of the '672
12 patent and, on information and belief, was known in detail by CLI and those substantively
13 involved in the prosecution of the '630 application.

14 **6. While the '630 Application Is Pending, CLI Purchases Widcom's Assets**
15 **Relating to the Widcom VTC-56 in Bankruptcy.**

16 43. On or about June 23, 1987, the Patent Office issued a Notice of Allowance for the
17 filed claims of the '630 application. Lovejoy mailed the issue fee for the '672 patent to the
18 Patent Office on or about July 9, 1987. On or about July 10, 1987, CLI published a press release
19 announcing the settlement of the Patent Suit. CLI's press release explained that Widcom had
20 agreed to transfer to CLI technology related to the Widcom VTC-56:

21 Following commencement of CLI's lawsuit in December 1985,
22 Widcom filed for protection from creditors in the U.S. Bankruptcy
23 Court on June 6, 1986. In June 1987, a trustee was appointed by
24 the Bankruptcy Court to explore the possible sale of Widcom's
25 remaining assets. Under the settlement agreement, which was
26 negotiated with the Widcom trustee and approved by the
27 Bankruptcy Court on July 8, Widcom acknowledged the validity of
the two CLI patents, as well as Widcom's infringement of them in
its manufacture and sale of its VTC-56 videoconferencing codec
and its RAPICS 500 data compression device. Widcom further
28 agrees to the entry of a stipulated judgment against it by the U.S.

1 District Court on CLI's patent infringement claims, and the
2 issuance of a permanent injunction restraining Widcom from
3 further infringement of CLI's patents. As part of the agreement
4 reached with CLI, Widcom will transfer to CLI full title to all of
5 Widcom's video and data compression technology, including its
6 interest in a manufacturing license previously granted by Widcom
7 to a German distributor of its VTC-56 product, Telefonau und
8 Normalzeit, GmbH. CLI, in turn, has agreed to purchase from the
9 trustee Widcom's remaining inventory of video and data
10 compression devices, including its existing stock of VTC-56
11 codecs, RAPICS 500, DCU 192 units and all spares and parts for
12 \$150,000. As part of the settlement, CLI has agreed not to sue
13 those former Widcom customers who purchased VTC-56 codecs
14 prior to the court settlement for infringement of CLI's patents.
15 (Emphasis added.)

16 44. On or about July 13, 1987, the bankruptcy court entered an Order Authorizing and
17 Approving Sale of Assets to Compression Labs, Inc. and Settlement Agreement ("Asset Sale
18 Order") that transferred to CLI all of Widcom's

19 right, title and interest in and to any invention, know-how, or other
20 technology relating to the compression of data for storage or
21 transmission, including, without limitation, [Widcom's] existing
22 inventory of VTC-56 codecs ... and all engineering drawings or
23 documentation relating to any of the above products.

24 45. On information and belief, through the litigation of the Widcom Patent Suit and
25 the Asset Sale Order, CLI and those substantively involved in the prosecution of the '630
26 application came into possession of all engineering drawings and documentation related to the
27 Widcom VTC-56. At or about this time, CLI also came into possession of Widcom's existing
28 inventory of Widcom VTC-56s.

46. On or about July 17, 1987, CLI and Widcom submitted to the Court a Stipulation
for Entry of Judgment and Order of Permanent Injunction ("Judgment") in the Widcom Patent
Suit. The Judgment attached as an exhibit the Asset Sale Order from the bankruptcy
proceedings. This fact further demonstrates that Lovejoy was aware of the Widcom VTC-56
before the '672 patent issued.

1 47. Based on the foregoing, during the pendency of the '630 application, the persons
2 substantively involved in prosecuting the '630 application, including Lovejoy and Walker, were
3 aware of the existence, capabilities and materiality of the Widcom VTC-56 and of other material
4 prior art obtained from Widcom. Despite such knowledge, those persons acting on behalf of CLI
5 failed to disclose the Widcom VTC-56 or other prior art to the Patent Office in violation of the
6 patent statutes and their duty of candor under Patent Rule 56. On information and belief, CLI
7 and its agents made a conscious decision to violate their clear obligations by intentionally
8 concealing this material information so as to defraud the Patent Office. As a consequence, CLI's
9 application for the '672 patent issued on October 6, 1987. On information and belief, had the
10 patent examiner been made aware of the material information possessed by CLI and its agents,
11 the '672 patent would not have issued or, at the very least, would have issued with a substantially
12 different scope.

13 **B. CLI Deceived the International Standard-Setting Community and Its**
14 **Members During Development, Approval, and Adoption of the JPEG**
15 **Standard.**

16 48. The JPEG Standard was first adopted and published in 1992 after years of
17 international effort by several standard-setting organizations, including ISO, CCITT, and ANSI.

18 49. Before, during and after fraudulently obtaining the '672 patent, CLI participated
19 in at least one committee that helped develop and adopt the JPEG Standard. The circumstances
20 of CLI's participation, the JPEG Committee requests for participants to disclose all pertinent
21 patents, the stated goal of producing a standard that could be implemented on a compensation-
22 free basis, and CLI's contemporaneous knowledge of both the '672 patent and its belief
23 regarding that patent's relationship to the JPEG standard, imposed on CLI a legal duty to
24 disclose the purported applicability of the '672 patent that it now claims (more than a decade
25 later) covers essential technology embodied in the JPEG Standard. During its participation in
26 and approval of the JPEG Standard, CLI engaged in a pattern of deceptive silence, misleading
27 statements, and conduct on which Microsoft and its customers reasonably relied to their material
28

1 detriment in supporting the approval of the JPEG Standard and thereafter incorporating the JPEG
2 Standard into their products.

3 50. In the 1980's and early 1990's, CLI was a communications company that
4 designed video conferencing products and was developing broadcast and personal video systems.
5 CLI was not a big company, having between 150 and 250 employees at that time and having a
6 limited patent portfolio – about 10 patents as of 1990.

7 51. At that time, video conferencing systems, and video in general, relied on
8 proprietary coding algorithms, making units from different companies incompatible. Because of
9 the need to share and publish video and still files in the imaging field, it was recognized that
10 future imaging technologies would be standardized technologies. Upon information and belief,
11 CLI also recognized this obvious trend.

12 52. In recognition of the need to influence the coming standards, CLI participated in
13 moving video (MPEG) standards setting process, which was part of CCITT Study Group XV.
14 As part of its participation in this study group, CLI disclosed to the video standards group those
15 of its patents it felt “may apply” the video standards under discussion, including the ‘672 patent.

16 53. Through and as a result of its participation in the video standards process, CLI
17 learned of and stayed apprised of developments in the still image standards setting process that
18 ultimately resulted in the JPEG Standard.

19 54. From a larger group of proposed compression techniques, the JPEG committee
20 chose three finalists: (1) Adaptive Discrete Cosine Transform (“ADCT”); (2) Adaptive Binary
21 Arithmetic Coding (“ABAC”), proposed by IBM; and (3) Generalized Block Truncated Coding
22 (“GBTC”). ADCT eventually became the baseline for the JPEG Standard. Upon information
23 and belief, CLI believed at the time that its ‘672 patent was relevant to the still image standard.

24 55. CLI subsequently sought to and did participate directly (including voting to
25 approve) in the JPEG Standard for still images. In or about February 1990, CLI applied to
26 participate in the ANSI Task Group X3L3, which had the responsibility of formulating U.S.
27 positions regard JPEG. In June 1990, CLI employee Jonathan Zingman attended an ANSI Task
28

1 Group meeting in Salt Lake City, at which time CLI became a full member of the ANSI Task
2 Group. In or about October 1990, CLI employee Jonathan Zingman attended an ANSI Task
3 Group meeting in Rochester, New York, at which several notable events took place:

4 i) IBM's Joan Mitchell gave an overview of the status of the developing
5 JPEG Standard.

6 ii) While discussing the JPEG Committee Draft, one ANSI Task Group
7 member, again, raised the committee's concern about undisclosed patents. In response, Mitchell
8 asked the attendee to draft a patent resolution to be considered by the members.

9 iii) The ANSI Task Group decided that its members and interested parties
10 would be requested to "disclose patents as applicable to the JPEG standard." It then voted
11 unanimously to approve a resolution that members and interested parties identify patents and
12 patent applications "which someone believes must be used for every implementation of any of
13 the modes of operation" of the JPEG Standard.

14 56. On or about May 21, 1991, CLI employee Zingman completed and submitted an
15 ANSI Task Group X3L3 Letter Ballot, through which CLI voted to approve the JPEG
16 Committee Draft "as presented," which meant that the standard should progress to the next stage
17 of development, the Draft International Standard stage.

18 57. In May 1992, CLI as a member and active participant of the ANSI X3L3 Group
19 cast a second ballot to approve the JPEG Standard, once again failing to disclose the '672 patent.
20 Ballot records show that CLI's Padmanabha Rao voted to approve the JPEG Draft International
21 Standard "as presented."

22 58. Through its direct involvement in the still image JPEG Standards process, CLI
23 knew of and/or received repeated requests to disclose any patents that might be relevant to the
24 still image technology being considered for the standard. Any patents disclosed were to appear
25 in "Annex L" of the JPEG Standard.

26 59. The ABAC technology or any one of several alternative technologies were
27 acceptable and readily-available substitutes for the ADCT technology included in the baseline

1 JPEG Standard. Had CLI made its purported patent interests known at any time during the
2 development of the JPEG Standard, the JPEG committee could have substituted any one of these
3 acceptable and available alternatives for the ADCT technology.

4 60. Through its direct involvement in the still image standards process, CLI knew that
5 other companies – such as IBM – had disclosed patents that those companies alleged covered the
6 technology being considered for the still image JPEG Standard.

7 61. Through its direct involvement in the still image standards process, CLI knew, as
8 explained below, that one goal of the still image standard efforts was to create a standard that
9 could be implemented without infringing any patents for which the patent holder would seek
10 compensation.

11 62. Through its direct involvement in the still image standards process, CLI knew that
12 the still image standards group made the ABAC technology an optional part of the standard
13 because of IBM's allegations that its patents covered the ABAC technology. IBM's patent
14 disclosure was included as part of Annex L of the standard as allegedly applying to the
15 standard's optional Arithmetic Coding portion. After disclosing the patents allegedly covering
16 ABAC, Annex L expressly stated that "[n]o other patents required for implementation of any of
17 the other processes specified in Annexes F, G, H, or J had been identified at the time of
18 publication of this Specification." Annex F describes the ADCT technology in the JPEG
19 Standard.

20 63. Upon information and belief, the JPEG committee adopted ADCT for the baseline
21 JPEG standard and relegated ABAC technology to an alternative because it understood the
22 former to be free from identified patents and the latter to be allegedly subject to IBM's patent
23 disclosure. The ADCT technology was included in the baseline requirements and also was an
24 alternative to the optional technology allegedly covered by the IBM patents. Upon information
25 and belief, CLI, during the JPEG standard setting process, understood that one goal of the
26 committee was to develop a baseline standard that could be implemented without infringing any
27 patents.

1 64. CLI recognized that implementers of the still image standard would be more
2 likely to choose the ADCT technology because they understood it not to be covered by any
3 identified patents and that IBM had alleged its patents covered the optional ABAC alternative.
4 Conversely, CLI recognized that the still image standards group might be less likely to include
5 the ADCT technology in the standard – or to make the ADCT technology optional and include
6 yet another alternative – if a participant company made a claim that the ADCT technology was
7 covered by a patent.

8 65. On information and belief, by at least 1992 CLI had studied its patents, including
9 the ‘672 patent, and had formed the belief that its patents purportedly covered the redundancy
10 coding technology included in the JPEG Standard. In its March 1992 SEC Form 10-K Annual
11 Report, CLI stated:

12 An adaptation of DCT technology, which has been the basis of all
13 CLI products since its inception, is the foundation of the H.261
14 industry standard, as well as the evolving Joint Picture Experts
15 Group (“JPEG”) and Motion Picture Experts Group (“MPEG”)
standards for multimedia/desktop applications.

16 The Company holds seven U.S. patents relating to video
17 compression. The patents were issued in 1978 or later and cover
18 CLI’s scene-adaptive coding and DCT techniques. (Emphasis
added.)

19 Upon information and belief, CLI engaged in intentional conduct designed to keep this
20 information from the ANSI Task Group and the JPEG committee, even though CLI believed that
21 there was a direct connection between its patent and the yet-to-be-finalized JPEG standard.

22 66. With ballot approval from CLI and other JPEG members, JPEG became the
23 widely-adopted international standard it is today. Published on September 18, 1992 by CCITT
24 as Recommendation T.81, the JPEG Standard was also formally adopted as ISO/IEC
25 International Standard 10918-1 on February 15, 1994. ANSI subsequently adopted the JPEG
26 Standard on January 11, 1999. Annex L to the JPEG Standard does not identify the ‘672 patent.

1 67. CLI voted to approve the still image standard but never disclosed the '672 patent
2 to the still image standards group nor made known to that group CLI's belief (albeit erroneous)
3 that the '672 patent applied to the ADCT technology.

4 68. CLI's knowledge of the proposed JPEG Standard, the repeated requests for
5 companies involved in the still image standard efforts to disclose allegedly relevant patents, and
6 the expressed intent of that group to develop a baseline standard that could be implemented
7 without infringing any patents, imposed on CLI a legal duty to disclose its belief (albeit
8 erroneous) that the '672 patent applied to the ADCT technology under consideration. CLI's
9 conduct was designed to keep relevant information from the relevant standards bodies.

10 69. CLI purposefully withheld its belief as to the relevance of the '672 patent to the
11 still image standard with the intent that other participants would therefore approve the standard
12 without revision and that subsequent implementers would choose the ADCT alternative over the
13 optional and allegedly patented IBM ABAC technology identified in the standard. The other
14 participants and subsequent implementers relied upon CLI's silence and the resulting omission of
15 CLI's claim as to the relevance of the '672 patent both in approving the standard and in creating
16 products that implement the standard as adopted.

17 70. Based on the facts alleged herein, CLI negligently withheld its belief as to the
18 relevance of the '672 patent to the still image standard with the result that other participants
19 therefore did approve the standard without revision and that subsequent implementers did choose
20 the ADCT alternative to the optional and allegedly patented IBM technology called out in the
21 standard.

22 71. On information and belief, before the JPEG Standard had been approved, CLI had
23 formed the incorrect belief that the '672 patent would be infringed by anyone practicing the
24 standard. Nevertheless, throughout the entire period of CLI's participation in the JPEG standard-
25 setting effort and in spite of its knowledge that the JPEG committee sought to produce a baseline
26 standard that could be implemented without infringing any patents, and its belief regarding its
27 patent's applicability to the JPEG standard under development, CLI did not once answer the

1 multiple calls for disclosure of patents relevant to the standard, choosing instead to keep its
2 patent claims hidden from the JPEG committee. Under the circumstances, CLI's silence and
3 conduct – even as it voted to approve the standard – misled and subverted the standard-setting
4 process. The members of the JPEG standard-setting organizations relied on CLI's silence and
5 conduct in voting to recommend the JPEG Standard, which was in turn relied upon by Microsoft,
6 its customers, and others in commercializing many products during the next 12 years.

7 **C. CLI Deceived and Injured Microsoft by Delaying Its Enforcement of the '672**
8 **Patent.**

9 72. On information and belief, no later than July 1990, CLI was aware of the JPEG
10 Standard and the redundancy coding algorithms it contained.

11 73. On information and belief, by March 1992 CLI had concluded (albeit incorrectly)
12 that it owned patents, including the '672 patent, purportedly covering technology in the JPEG
13 Standard. CLI reported that belief in its SEC Form 10- K Annual Report, as alleged above.

14 74. On information and belief, CLI was aware no later than 1990 that the JPEG
15 Standard was being implemented in the market.

16 75. On information and belief, early implementers of the JPEG Standard also put CLI
17 on notice of the public implementation of the JPEG Standard, including Microsoft, which
18 incorporated the JPEG Standard into the Microsoft Products. Microsoft customers, Hewlett-
19 Packard Co. and Dell, Inc., began selling computer products that employed Microsoft Products.

20 76. In addition, CLI knew or should have known about the use of the JPEG Standard
21 in a variety of different types of software, including browsers, illustration programs, and web-
22 design programs.

23 77. Notwithstanding CLI's knowledge as alleged above, on information and belief,
24 CLI made no effort to enforce the '672 patent against any individual or company practicing the
25 JPEG Standard until 2002, more than a decade after learning the details of the JPEG Standard.
26 In the intervening years, the JPEG Standard became deeply entrenched as the preeminent
27 standard for the digital compression, storage and transmission of still images. Indeed, since the

1 adoption of the JPEG Standard, Microsoft and its customers have made significant investments
2 in the implementation of the JPEG Standard. Consumers and other users have created billions of
3 JPEG files and have utilized the JPEG Standard in existing devices and software that will
4 continue for many years to come.

5 **D. CLI/Forgent Has Begun an Unlawful Campaign to “Enforce” the ‘672 Patent**
6 **in an Effort to Capture the JPEG Standard Illegitimately and to Control the**
7 **Technology Embodied in the Standard.**

8 78. Beginning in 2002, CLI/Forgent changed course on CLI’s decade-long policy of
9 non-enforcement of the ‘672 patent as it relates to JPEG. In early 2002, CLI/Forgent began an
10 aggressive ‘672 patent “enforcement” campaign with the apparent goal of capitalizing on the
11 millions of consumers and hundreds of manufacturers grown to depend upon the JPEG Standard.
12 On information and belief, CLI/Forgent knew that consumers of the technology embodied by the
13 JPEG Standard believed that there were no blocking patents to create barriers to adoption.

14 79. Seeking to assert its aging patent (which expires in 2006) against companies and
15 consumers who relied on the JPEG Standard being a widely adopted international standard,
16 CLI/Forgent began in 2002 making royalty demands on companies that make, use or sell the
17 hundreds of products employing the JPEG Standard as a means of extracting potentially millions
18 of dollars in royalty payments to which it is not lawfully entitled. At the same time, it also made
19 veiled threats in the press against end users of JPEG-enabled products.

20 80. On information and belief, CLI/Forgent knew that the threat of potential business
21 interruption or unwarranted damages and the certainty of substantial fees and costs required to
22 defend protracted litigation would deter some JPEG users from challenging the patent and
23 instead cause them to take licenses. CLI/Forgent has made its assertions of patent infringement
24 to create uncertainty and doubt about the validity of JPEG as a ubiquitous standard and to
25 compel manufacturers of JPEG products to pay it unwarranted sums of money.

26 81. CLI/Forgent began and continues its campaign despite actual knowledge that CLI
27 (a) did not disclose material prior art to the Patent Office and (b) failed to disclose the ‘672

1 patent to the JPEG standard-setting organizations, thereby causing the JPEG Standard to be
2 adopted with technology that CLI/Forgent only now claims infringes its patent.

3 82. CLI/Forgent has proceeded in bad faith with knowledge that the '672 patent is
4 invalid and/or unenforceable. Further, CLI/Forgent's demands are knowingly and objectively
5 baseless because it knows (a) the '672 patent is invalid, (b) CLI procured the patent by fraud, and
6 (c) the '672 patent is not enforceable because of CLI's inequitable conduct. Even though
7 recipients of CLI/Forgent's demands have informed CLI/Forgent and its attorneys of the
8 substantial invalidating prior art pertaining to the '672 patent, including the Widcom VTC-56,
9 CLI/Forgent has persisted in its assertions and demands.

10 83. CLI, under the direction of Forgent, filed the Texas Actions alleging patent
11 infringement against manufacturers of JPEG-enabled products, including Microsoft customers,
12 as alleged above. As with CLI/Forgent's threats of litigation and demands for royalty payments
13 prior to litigation, CLI's lawsuits are objectively baseless, because no objectively reasonable
14 litigant would expect success on the merits of those infringement claims, given CLI's fraud on
15 the Patent Office, its inequitable conduct, and the prior art invalidating the '672 patent.

16 84. On information and belief, CLI/Forgent does not expect or desire an actual
17 determination of the claims and defenses relating to the '672 patent on the merits. On
18 information and belief, the circumstances suggest that CLI/Forgent intentionally delayed filing
19 suit against alleged infringers for at least two years after first making its allegations of
20 infringement so that, with the threat of legal process (not the outcome of the process) weighing
21 on manufacturers, CLI/Forgent could exploit the '672 patent without being forced to test the
22 merits of its claims. On information and belief, CLI filed suit only as a last resort and has done
23 so to invoke the legal process (not its outcome) as an illegitimate method of extracting money
24 from those sued. Furthermore, on information and belief, CLI/Forgent intends to use these
25 lawsuits to intimidate others practicing the JPEG Standard with the threat of protracted and
26 expensive litigation if they do not obtain a license to the '672 patent.

1 85. CLI/Forgent has further imposed on Microsoft's customers substantial costs in the
2 form of litigation defense costs and other costs.

3 **COUNT 1**

4 **Declaratory Judgment – Noninfringement of the '672 Patent**

5 86. Microsoft incorporates by reference the allegations in paragraphs 1 through 85
6 above.

7 87. This is an action for declaratory judgment of noninfringement of any valid claim
8 of the '672 patent.

9 88. Microsoft has an objectively reasonable apprehension that CLI will continue to
10 pursue its allegations of infringement against Microsoft's customers, and that CLI will bring a
11 patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for
12 allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that
13 incorporate Microsoft JPEG-enabled products.

14 89. CLI has alleged, and continues to allege, that CLI is a current owner of all right,
15 interest and title in and to the '672 patent.

16 90. CLI has alleged, and continues to allege, that Microsoft's customers have been
17 and are making, using, offering for sale, importing and selling devices:

18 at least portions of which are designed to be at least partly
19 compliant with the JPEG standard as defined by CCITT
20 Recommendation T.81 approved on September 18, 1992, titled
21 "Information Technology – Digital Compression and Coding of
22 Continuous Tone Still Images – Requirements and Guidelines," the
23 identical text of which is also published as ISO/IEC International
24 Standard 10918-1, or with any version or variance thereof defining
25 a lossy compression scheme.

26 91. CLI has alleged that Microsoft and/or its customers have committed, actively
27 induced, and contributed to, and continue to commit, actively induce, and contribute to, acts of
28 patent infringement.

92. CLI alleges that Microsoft's customers alleged infringement is willful and
deliberate and that irreparable injury has been caused to CLI.

1 93. Microsoft denies CLI's allegations with respect to Microsoft's and its customers'
2 use of Microsoft Products. Microsoft's Products, as used by Microsoft or its customers, have not
3 infringed and currently are not infringing any valid claim of the '672 patent, either literally or
4 under the doctrine of equivalents, nor are Microsoft or its customers actively inducing or
5 contributing to infringement of the '672 patent.

6 94. Accordingly, there exists an actual judicial controversy between Microsoft and
7 Defendants concerning whether the claims of the '672 patent are not infringed by Microsoft or
8 its customers.

9 95. Microsoft desires and requests a judicial determination and declaration of the
10 respective rights and duties of the parties based on the disputes recited above. Such a
11 determination and declaration is necessary and appropriate at this time so that the parties may
12 ascertain their respective rights and duties regarding the noninfringement of the '672 patent.

13 **COUNT 2**

14 **Declaratory Judgment – Invalidity of the '672 Patent**

15 96. Microsoft incorporates by reference the allegations in paragraphs 1 through 95
16 above.

17 97. This is an action for declaratory judgment of the invalidity of any and all claims
18 of the '672 patent.

19 98. Microsoft has an objectively reasonable apprehension that CLI will continue to
20 pursue its allegations of infringement against Microsoft's customers, and that CLI will bring a
21 patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for
22 allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that
23 incorporate Microsoft JPEG-enabled products.

24 99. The '672 patent and its claims are invalid because they fail to comply with the
25 conditions and requirements for patentability set forth in Title 35, United States Code, including
26 but not limited to the provisions of 35 U.S.C. §§ 101, 102, 103, 112, 115, 116, 118 and 256.

1 100. Accordingly, there exists an actual judicial controversy between Microsoft and
2 Defendants concerning whether the claims of the '672 patent are invalid.

3 101. Microsoft desires and requests a judicial determination and declaration of the
4 respective rights and duties of the parties based on the disputes recited above. Such a
5 determination and declaration are necessary and appropriate at this time so that the parties may
6 ascertain their respective rights and duties regarding the invalidity of the '672 patent.

7 **COUNT 3**

8 **Declaratory Judgment – Unenforceability Based on Inequitable Conduct**

9 102. Microsoft incorporates by reference the allegations in paragraphs 1 through 101
10 above.

11 103. This is an action for declaratory judgment of the unenforceability of all claims of
12 the '672 patent.

13 104. Microsoft has an objectively reasonable apprehension that CLI will continue to
14 pursue its allegations of infringement against Microsoft's customers, and that CLI will bring a
15 patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for
16 allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that
17 incorporate Microsoft JPEG-enabled products.

18 105. The '672 patent is unenforceable because of inequitable conduct by, but not
19 limited to, the persons identified above who were substantively involved in the prosecution of
20 the '630 application.

21 106. Every person substantively involved in the preparation and prosecution of the
22 '630 application had a duty of candor and good faith, including a duty to disclose information of
23 which they were aware that was material to the examination of the '630 application, when
24 dealing with the Patent Office during the prosecution of the '630 application.

25 107. On information and belief, the Widcom VTC-56, among other things, was and is
26 material to the patentability of the '672 patent, and there is a substantial likelihood it would have
27 been considered important to a reasonable patent examiner reviewing the '630 application.

1 patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for
2 allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that
3 incorporate Microsoft JPEG-enabled products.

4 117. On information and belief, CLI/Forgent has long known of Microsoft's, and its
5 customers', use of the JPEG Standard and Microsoft Products.

6 118. Microsoft's, and its customers', use of the JPEG Standard has been pervasive,
7 open and notorious, including but not limited to their use of the JPEG Standard in multiple
8 products, including Microsoft Products, that are widely available, as well as the extensive
9 advertising and media coverage of JPEG-enabled products and Microsoft's Products.

10 119. On information and belief, CLI/Forgent's delay in filing an infringement suit to
11 enforce the '672 patent is unreasonable and inexcusable.

12 120. On information and belief, as a result of CLI/Forgent's unreasonable and
13 inexcusable delay in filing suit, Microsoft and its customers have been materially prejudiced both
14 from their changes in economic position and from the loss of evidence. This prejudice includes,
15 but is not limited to, their inclusion of the JPEG Standard in their products and their investment
16 of substantial resources unrelated to the alleged infringement that could have been avoided if
17 CLI/Forgent had filed an infringement action sooner. Furthermore, because of CLI/Forgent's
18 delay, Microsoft and its customers have lost both documentary and witness evidence relevant to
19 their defense of the infringement action.

20 121. Because of CLI/Forgent's unreasonable and inexcusable delay in filing suit and
21 the prejudice to Microsoft and its customers from that delay, equity requires that CLI/Forgent be
22 barred from enforcing the patent.

23 122. Accordingly, there exists an actual judicial controversy between Microsoft and
24 CLI/Forgent concerning whether the claims of the '672 patent are unenforceable because of
25 laches.

26 123. Microsoft desires and requests a judicial determination and declaration of the
27 respective rights and duties of the parties based on the disputes recited above. Such a

1 determination and declaration are necessary and appropriate at this time so that the parties may
2 ascertain their respective rights and duties regarding the unenforceability of the '672 patent.

3 **COUNT 5**

4 **Declaratory Judgment – Unenforceability Based on Equitable Estoppel**

5 124. Microsoft incorporates by reference the allegations in paragraphs 1 through 123
6 above.

7 125. This is an action for declaratory judgment that CLI's claims for relief are barred
8 in their entirety by the doctrine of equitable estoppel.

9 126. Microsoft has an objectively reasonable apprehension that CLI will continue to
10 pursue its allegations of infringement against Microsoft's customers, and that CLI will bring a
11 patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for
12 allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that
13 incorporate Microsoft JPEG-enabled products.

14 127. CLI/Forgent's enforcement of the '672 patent is barred in its entirety by the
15 doctrine of equitable estoppel. This estoppel is created by, but is not limited to, CLI's conduct
16 and misrepresentations made during its participation in the adoption of the JPEG Standard and
17 CLI/Forgent's continued silence during the years Microsoft and its customers have incorporated
18 the JPEG Standard into their products.

19 128. Under the circumstances set forth above related to its conduct in the JPEG
20 Standard, CLI had an obligation to disclose patents relevant to the JPEG Standard to other
21 members of the bodies voting on the proposed standard and to potential implementers of the
22 standard.

23 129. On information and belief, based on its conduct in groups responsible for the
24 JPEG standard, CLI knew the technical details of the proposed JPEG Standard, having
25 participated in the review of the development of the underlying technology and having voted
26 multiple times to approve the JPEG Standard.

1 130. Despite its duty under the circumstances set forth above to disclose relevant
2 patents, its knowledge of the proposed JPEG Standard, and asserted belief that the ‘672 patent
3 covered that standard, CLI failed to disclose any purported relevance of the ‘672 patent to the
4 JPEG Standard. CLI/Forgent remained silent about the ‘672 patent for years while Microsoft
5 and its customers invested in their use of the JPEG Standard.

6 131. CLI’s conduct in the JPEG standard-setting effort, coupled with CLI/Forgent’s
7 misleading silence about the purported relevance of the ‘672 patent to the JPEG Standard both
8 prior to and after the adoption of the standard, lulled Microsoft and its customers into believing
9 that CLI had no alleged patent interests that might affect the JPEG Standard. Microsoft and its
10 customers reasonably relied on CLI’s conduct and misleading representation that the ‘672 patent
11 was not relevant to the JPEG Standard, causing them to support the JPEG Standard and/or
12 implement the standard in their products with the reasonable belief that the JPEG Standard did
13 not include the subject matter purportedly claimed by the’ 672 patent.

14 132. On information and belief, if CLI had disclosed the purported relevance of the
15 ‘672 patent to the JPEG Standard, the JPEG committee would have adopted any one of a number
16 of readily-available and technically feasible alternatives.

17 133. Microsoft and its customers were and continue to be prejudiced by CLI/Forgent’s
18 ambush strategy, including but not limited to the threat to the millions of dollars in resources and
19 years of investment in research, development, manufacturing and marketing of products that
20 employ the JPEG Standard.

21 134. Accordingly, there exists an actual judicial controversy between Microsoft and
22 Forgent/CLI concerning whether the CLI’s claims for relief are barred by equitable estoppel.

23 135. Microsoft desires and requests a judicial determination and declaration of the
24 respective rights and duties of the parties based on the disputes recited above. Such a
25 determination and declaration is necessary and appropriate at this time so that the parties may
26 ascertain their respective rights and duties regarding the ‘672 patent.

COUNT 6

Declaratory Judgment – Unenforceability Based on Patent Misuse

136. Microsoft incorporates by reference the allegations in paragraphs 1 through 135 above.

137. This is an action for declaratory judgment that CLI's claims for relief are barred by the doctrine of patent misuse.

138. Microsoft has an objectively reasonable apprehension that CLI will continue to pursue its allegations of infringement against Microsoft's customers, and that CLI will bring a patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that incorporate Microsoft JPEG-enabled products.

139. The '672 patent is unenforceable for continuing patent misuse by reason of CLI/Forgent's unlawful attempts to enforce the '672 patent, as alleged above.

140. CLI/Forgent seeks to obtain the economic advantage of an improper injunction and monetary damages against Microsoft's customers, despite CLI/Forgent's knowledge that the '672 patent is invalid and unenforceable because of CLI/Forgent's unlawful conduct as alleged above.

141. Accordingly, there exists an actual judicial controversy between Microsoft and Defendants concerning whether CLI's claims for relief are barred by CLI/Forgent's patent misuse.

142. Microsoft desires and requests a judicial determination and declaration of the respective rights and duties of the parties based on the disputes recited above. Such a determination and declaration is necessary and appropriate at this time so that the parties may ascertain their respective rights and duties regarding the '672 patent.

COUNT 7

Declaratory Judgment – Implied License

1
2
3 143. Microsoft incorporates by reference the allegations in paragraphs 1 through 142
4 above.

5 144. This is an action for declaratory judgment that CLI's claims for relief are barred,
6 in whole or in part, by the doctrine of implied license. This implied license was created by, but
7 is not limited to, (a) CLI's conduct, misleading silence, and misrepresentations about the
8 purported relevance of the '672 patent during its participation in the JPEG Standard, (b) CLI's
9 acquiescence to Microsoft's, and its customers', inclusion of the JPEG Standard in their products
10 since the 1992 adoption of the JPEG Standard, and (c) the doctrine of patent exhaustion.

11 145. Microsoft has an objectively reasonable apprehension that CLI will continue to
12 pursue its allegations of infringement against Microsoft's customers, and that CLI will bring a
13 patent infringement suit against Microsoft. CLI has already sued Microsoft's customers for
14 allegedly infringing the '672 patent by making, using, offering to sell and/or selling products that
15 incorporate Microsoft JPEG-enabled products.

16 146. CLI has alleged, and continues to allege, that CLI is a current owner of all right,
17 interest and title in and to the '672 patent.

18 147. On information and belief, CLI's claims for relief are barred, in whole or in part,
19 by the doctrine of implied license.

20 148. Accordingly, there exists an actual judicial controversy between Microsoft and
21 Defendants concerning whether the CLI's claims for relief are barred as alleged above.

22 149. Microsoft desires and requests a judicial determination and declaration of the
23 respective rights and duties of the parties based on the disputes recited above. Such a
24 determination and declaration is necessary and appropriate at this time so that the parties may
25 ascertain their respective rights and duties regarding the '672 patent.
26
27

COUNT 8

Equitable Estoppel

1
2
3 150. Microsoft incorporates by reference the allegations in paragraphs 1 through 149
4 above.

5 151. CLI/Forgent's enforcement of the '672 patent is barred in its entirety by the
6 doctrine of equitable estoppel. This estoppel is created by, but is not limited to, CLI's
7 misrepresentations made during its participation in the adoption of the JPEG Standard and
8 CLI/Forgent's continued silence during the years Microsoft and its customers have incorporated
9 the JPEG Standard into their products.

10 152. On information and belief, based on its conduct in groups responsible for the
11 JPEG standard, CLI knew the technical details of the proposed JPEG Standard, having
12 participated in the review of the development of the underlying technology and having voted
13 multiple times to approve the JPEG Standard.

14 153. Despite its duty under the circumstances set forth above to disclose relevant
15 patents, its knowledge of the proposed JPEG Standard, and asserted belief that the '672 patent
16 covered that standard, CLI failed to disclose any purported relevance of the '672 patent to the
17 JPEG Standard. CLI/Forgent remained silent about the '672 patent for years while Microsoft
18 and its customers invested in their use of the JPEG Standard.

19 154. CLI's conduct in the JPEG standard-setting effort, coupled with CLI/Forgent's
20 misleading silence about the relevance of the '672 patent to the JPEG Standard both prior to and
21 after the adoption of the standard and other conduct, lulled Microsoft and its customers into
22 believing that CLI had no alleged patent interests that might affect the JPEG Standard.
23 Microsoft and its customers reasonably relied on CLI's misleading representation that the '672
24 patent was not relevant to the JPEG Standard, causing them to support the JPEG Standard and/or
25 implement the standard in their products.

1 155. On information and belief, if CLI had disclosed the purported relevance of the
2 '672 patent to the JPEG Standard, the JPEG committee would have adopted any one of a number
3 of readily-available and technically feasible alternatives.

4 156. Microsoft and its customers were and continue to be prejudiced by CLI/Forgent's
5 ambush strategy, including but not limited to the threat to the millions of dollars in resources and
6 years of investment in research, development, manufacturing and marketing of products that
7 employ the JPEG Standard.

8 157. CLI/Forgent is barred from enforcing the '672 patent against Microsoft as a result
9 of CLI's misleading silence, misrepresentations and the other unlawful conduct alleged above.

10 **COUNT 9**

11 **Patent Misuse**

12 158. Microsoft incorporates by reference the allegations in paragraphs 1 through 157
13 above.

14 159. The '672 patent is unenforceable for continuing patent misuse, by reason of
15 CLI/Forgent's unlawful attempts to enforce the '672 patent as alleged above.

16 160. CLI/Forgent seeks to obtain the economic advantage of an improper injunction
17 and monetary damages against Microsoft and its customers, despite CLI/Forgent's knowledge
18 that the '672 patent is invalid and unenforceable due to CLI/Forgent's unlawful conduct as
19 alleged above.

20 **COUNT 10**

21 **Calif. Bus. And Prof. Code §§ 17200 et seq.**

22 161. Microsoft incorporates by reference the allegations in paragraphs 1 through 160
23 above.

24 162. CLI/Forgent's deceptive trade practices, misrepresentation, and bad faith attempts
25 to enforce the '672 patent constitute unfair competition and unlawful, unfair, and fraudulent
26 business acts and practices within the meaning of California Business and Professions Code
27 § 17200.

1 163. CLI/Forgent also has engaged in unfair competition because, in the course of its
2 business, CLI/Forgent disparaged Microsoft's goods, services, and businesses by falsely and
3 misleadingly alleging that Microsoft's customers' products infringe the '672 patent and that
4 consumers will not be able to continue using the Microsoft products that incorporate the JPEG
5 standard, in violation of Calif. Bus. And Prof. Code §§ 17200 et seq.

6 164. Further, CLI/Forgent has engaged in unfair competition because, in the course of
7 its business, CLI/Forgent has engaged in other conduct that creates a likelihood of confusion or
8 misunderstanding, including but not limited to engaging in baseless patent litigation, in violation
9 of Calif. Bus. And Prof. Code §§ 17200 et seq.

10 165. On information and belief, CLI/Forgent has acted in bad faith while engaging in
11 unfair competition.

12 166. Microsoft has been harmed or can reasonably expect to be harmed by
13 CLI/Forgent's unfair competition. This harm will continue or can reasonably be expected to
14 continue as long as CLI/Forgent continues to falsely assert that the '672 patent is infringed by the
15 use of Microsoft products that are compliant with the JPEG Standard.

16 167. As a result of their violation of California Business and Professions Code
17 § 17200, CLI/Forgent have unjustly enriched itself at the expense of Microsoft.

18 168. To redress this unjust enrichment, CLI/Forgent should be required to disgorge its
19 illegal gains for the purpose of making full restitution to Microsoft.

20 **COUNT 11**

21 **Fraud**

22 169. Microsoft incorporates by reference the allegations in paragraphs 1 through 168
23 above.

24 170. On information and belief, based on its conduct in groups responsible for the
25 JPEG Standard, CLI knew the technical details of the proposed JPEG Standard, having
26 participated in the review of the development of the underlying technology and having voted
27 several times to approve the standard.

1 171. Upon information and belief, CLI was aware that the JPEG Committee sought to
2 produce a baseline standard that could be implemented without infringing any patents. CLI was
3 also aware of repeated request for companies to disclose patents pertinent to the developing
4 standard. Upon information and belief, CLI acted to shield its beliefs regarding its patent from
5 the JPEG Committee and failed to disclose the '672 patent as allegedly applying to the JPEG
6 standard.

7 172. At the time it was asked to disclose patents pertinent to the developing standard,
8 CLI was aware of both the standard and the '672 patent. Upon information and belief, CLI was
9 of the opinion, albeit incorrect, at that time that the '672 patent did apply to the JPEG standard.

10 173. Despite its knowledge of the proposed JPEG Standard and the goal of developing
11 a baseline standard that could be implemented without infringing any patents, repeated requests
12 to identify relevant patents to the standard-setting bodies, and asserted beliefs within CLI that the
13 '672 patent covered that standard, CLI intentionally failed to disclose the '672 patent.

14 174. On information and belief, at the time the JPEG Standard was proposed or
15 adopted, CLI knew or believed all of the alleged facts it now asserts in its false claim that the
16 '672 patent is infringed by the JPEG Standard.

17 175. On information and belief, CLI failed to disclose the '672 patent and acted to keep
18 information from the JPEG Committee because it intended to induce the adoption of the JPEG
19 Standard and its inclusion in various products.

20 176. Relying on CLI's failure to disclose the '672 patent and other conduct, the JPEG
21 committee and other related organizations adopted the JPEG Standard. Following the adoption
22 of the JPEG Standard, Microsoft and its customers, and thousands of other users, relied on CLI's
23 failure to disclose the '672 patent when incorporating the JPEG Standard into their commercial
24 products. Microsoft's, and its customers', reliance on CLI's representations and its failure to
25 disclose the '672 patent and other conduct has been reasonable.

1 177. When it participated in the JPEG Standard, CLI knew or reasonably should have
2 known that Microsoft and all other users of the JPEG Standard would rely on its
3 misrepresentations and deceptive silence regarding the '672 patent.

4 178. As a result of CLI's fraudulent failure to disclose the '672 patent, its other
5 conduct, and subsequent attempts to assert the patent, Microsoft has incurred damages and will
6 continue to be damaged in the future.

7 **COUNT 12**

8 **Negligent Misrepresentation**

9 179. Microsoft incorporates by reference the allegations in paragraphs 1 through 178
10 above.

11 180. On information and belief, CLI claimed and continues to claim a pecuniary
12 interest in the JPEG Standard. When the JPEG Standard was developed and adopted, CLI used
13 compression techniques in its video conferencing products. On information and belief, CLI
14 believed that a common standard such as the JPEG Standard would promote the growth of
15 products using compression technology and that CLI would benefit from greater sales of such
16 products.

17 181. Under the circumstances described above related to its conduct in the JPEG
18 Standard, CLI had a duty to disclose patents relevant to the JPEG Standard and to provide
19 accurate information to JPEG.

20 182. On information and belief, based on its conduct in groups responsible for the
21 JPEG Standard, CLI knew the technical details of the proposed JPEG Standard, having
22 participated in the review of the development of the underlying technology and having voted
23 several times to approve the standard.

24 183. Despite its knowledge of the proposed JPEG Standard and the goal of developing
25 a baseline standard that could be implemented without infringing any patents, repeated requests
26 to identify relevant patents to the standard-setting bodies, and CLI's professed belief (albeit
27 incorrect) that its patent covered the baseline implementation of the JPEG Standard, CLI failed
28

1 to disclose the '672 patent. CLI's failure to disclose the '672 patent was a material omission or
2 misrepresentation.

3 184. CLI failed to exercise reasonable care in accurately communicating its beliefs
4 regarding its patent position to the JPEG committee. CLI acted so as to shield the committee
5 from these beliefs.

6 185. Based on CLI's silence, the JPEG committee and related organizations adopted
7 the JPEG Standard. Following the adoption of the JPEG Standard, Microsoft and its customers,
8 and thousands of other users, relied on CLI's silence or misrepresentations when incorporating
9 the JPEG Standard into their products.

10 186. When it participated in the JPEG Standard, CLI knew or reasonably should have
11 known that Microsoft and all other users of the JPEG Standard would rely on its conduct,
12 misrepresentations and silence regarding its patent position.

13 187. Microsoft's, and its customers', reliance on CLI's silence, other conduct, or
14 misrepresentation was reasonable.

15 188. As a result of CLI's negligent misrepresentation regarding its patent rights,
16 Microsoft has incurred damages and will continue to be damaged in the future.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, Microsoft prays for the following relief:

- 19 i) A judgment declaring that Microsoft has not infringed and does not
20 infringe, in any manner or in any way, any valid claim of the '672 patent;
21 ii) A judgment declaring that each claim of the '672 patent is invalid;
22 iii) A judgment declaring that the '672 patent is unenforceable and without
23 any force or effect against Microsoft, their officers, agents, servants,
24 employees, licensees, assigns, customers and attorneys;
25 iv) A judgment that CLI and Forgent are barred from enforcing the '672
26 patent based on the equitable doctrine of laches;
27

- 1 v) A judgment that CLI and Forgent are barred from enforcing the ‘672
2 patent based on the equitable doctrine of estoppel;
- 3 vi) A judgment that CLI and Forgent are barred from enforcing the ‘672
4 patent based on their misuse of the ‘672 patent;
- 5 vii) A judgment that Microsoft has an implied license for use of the ‘672
6 patent;
- 7 viii) A judgment that CLI and Forgent have engaged in unfair competition in
8 violation of Calif. Bus. And Prof. Code §§ 17200 et seq.
- 9 ix) A permanent injunction under Calif. Bus. And Prof. Code §§ 17200 et seq.
- 10 x) A judgment that CLI has engaged in fraud;
- 11 xi) A judgment that CLI has engaged in negligent misrepresentation;
- 12 xii) A permanent injunction prohibiting further or future enforcement of the
13 ‘672 patent;
- 14 xiii) An award of damages adequate to compensate Microsoft for the harm
15 caused to it as a result of Defendants’ unlawful conduct;
- 16 xiv) A judgment deeming this to be an “exceptional” case within the meaning
17 of 35 U.S.C. § 285, entitling Microsoft to an award of reasonable
18 attorneys’ fees, expenses and costs in this action; and
- 19 xv) Such other and further equitable or legal relief as the Court or a jury
20 deems proper, including the disgorgement by CLI of all sums that they
21 have obtained pursuant to the scheme described herein.

22 **JURY TRIAL DEMANDED**

23 Microsoft demands a trial by jury as to all issues and causes of action so triable
24 herein, pursuant to Federal Rule of Civil Procedure 38.

25
26
27

1 **CERTIFICATION OF INTERESTED PARTIES PURSUANT TO CIVIL L.R. 3-16**

2 Pursuant to Civil L.R. 3-16, the undersigned certifies that the following listed
3 persons, associations or persons, firms, partnerships, corporations (including parent corporations)
4 or other entities (i) have a financial interest in the subject matter in controversy or in a party to
5 the proceeding, or (ii) have a non-financial interest in that subject matter or in a party that could
6 be substantially affected by the outcome of this proceeding:

7 Acer America Corporation
8 Acer, Inc., a Taiwan corporation
9 Adobe Systems, Inc.
10 Afga Corporation
11 Apple Computer, Inc.
12 Audiovox Corporation
13 Audiovox Electronics Corporation
14 Axis AB
15 Axis Communications, Inc.
16 Banctec, Inc.
17 Benq America Corporation
18 Canon USA, Inc.
19 Canon Inc., a corporation of Japan
20 Color Dreams, Inc. (doing business as Stardot Technologies)
21 Concord Camera Corporation
22 Corel Inc., a Delaware corporation
23 Creative Labs, Inc.
24 Creo America's, Inc.
25 Creo, Inc.
26 Dell, Inc.
27 Dodge & Cox, Inc.
28 Eastman Kodak Company
 FUJIFILM America, Inc.
 Fuji Photo Film USA, Inc.
 Fujitsu Computer Products of America, Inc.
 Gateway, Inc.
 General Instruments Corporation
 Google, Inc.
 Grenspecialisten AB
 Hewlett-Packard Company
 International Business Machines Corporation
 Jasc Software, Inc.
 JVC Americas Corporation
 Kyocera Wireless Corporation
 LMK industri
 MacRomedia, Inc.

1 Matsushita Electric Corporation of America
2 Mitsubishi Digital Electronics America, Inc.
3 Mitsubishi Electric Corporation of Tokyo, Japan
4 OCE North America, Inc.
5 Océ N.V., a Netherlands company
6 Onkyo U.S.A. Corporation
7 PalmOne, Inc.
8 Panasonic Communications Corporation of America
9 Panasonic Mobile Communications Development Corporation of U.S.A.
10 Ricoh Corporation
11 Riverdeep, Inc.
12 Savin Corporation
13 Scansoft, Inc.
14 Skanditek Group
15 Sun Microsystems, Inc.
16 Thomson, Inc.
17 Thomson S A
18 TiVo, Inc.
19 Toshiba America, Inc.
20 Toshiba America Consumer Products, Inc.
21 Toshiba America Consumer Products, LLC
22 Toshiba America Information Systems, Inc.
23 Toshiba America Electronics Components, Inc.
24 Veo, Inc.
25 Victor Company of Japan, Ltd., a Japanese corporation
26 Xerox Corporation
27 Yahoo!, Inc.

28 The foregoing entities appear as either a Plaintiff or Defendant in actions currently pending in this District which concern the same patent at issue in the instant action, U.S. Patent No. 4,698,672. These patent cases involve similar patent infringement claims, the same questions of law and are identified as follows: *Sun Microsystems, Inc. v. Compression Labs, Inc.*, No. CV 04-3124 PJH; *Google, Inc. v. Compression Labs, Inc., et. al.*, No. CV 04-03934 PJH; as well as the Multi District Litigation (“MDL”) Lead Case named *In re Compression Labs, Inc., Patent Litigation*, No. CV 05 01654 PJH. The MDL Member Cases are identified as follows:

Compression Labs, Inc. v. Agfa Corp., No. CV 05-00923 PJH

Compression Labs, Inc. v. Dell, Inc., et. al., No. CV 05-00924 PJH

Compression Labs, Inc. v. Acer America, Corp., et. al., No. CV 05-00925 PJH

1 *Audiovox Corp., et. al. v. Compression Labs, Inc., et. al.*, No. CV 05-01225 PJH

2 *Yahoo, Inc. v. Compression Labs, Inc., et. al.*, No. CV 05-01226 PJH

3 *Agfa Corp., et. al. v. Compression Labs, Inc., et. al.*, No. CV 05-01228 PJH

4 *Compression Labs, Inc. v. Adobe Systems, Inc., et. al.*, No. CV 05-00923 PJH

5 *Compression Labs, Inc. v. Creo, Inc., et. al.*, No. CV 05-1603 PJH.

6 Pursuant to Civ. L.R. 3-13, Plaintiff Microsoft further provides that, on or about
7 April 21, 2005, the following action was filed in the United States District Court for the Eastern
8 District of Texas:

9 *Compression Labs, Inc. v. Microsoft Corporation*, No. 2-05CV-156.

10 Dated: May 17, 2005

11 s/ Bryan K. Anderson

12 David T. Pritikin
13 Richard A. Cederoth
14 Douglas I. Lewis
15 SIDLEY AUSTIN BROWN & WOOD LLP
16 Bank One Plaza
17 10 South Dearborn Street
18 Chicago, Illinois 60603
19 Phone: (312) 853-7000
20 Fax: (312) 853-7036

21 Bryan K. Anderson
22 SIDLEY AUSTIN BROWN & WOOD LLP
23 555 California Street, Suite 2000
24 San Francisco, CA 94104
25 Phone: (415) 772-1200
26 Fax: (415) 772-7400

27 ATTORNEYS FOR MICROSOFT
28 CORPORATION