

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

**MICROSOFT CORPORATION,**

*Plaintiff,*

v.

**Civil Action No: 10-282- LPS**

**ST. CLAIR INTELLECTUAL PROPERTY  
CONSULTANTS, INC.,**

*Defendant.*

**FIRST AMENDED COMPLAINT FOR DECLARATORY JUDGMENT**

Plaintiff Microsoft Corporation hereby pleads the following claims for Declaratory Judgment against Defendant St. Clair Intellectual Property Consultants, Inc., and alleges as follows:

**PARTIES**

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

2. On information and belief, Defendant St. Clair Intellectual Property Consultants, Inc. (hereinafter “St. Clair”) is a Michigan corporation having its principal place of business at 16845 Kercheval Avenue, Suite No. Two, Grosse Pointe, Michigan 48230.

**GENERAL ALLEGATIONS**

3. On May 15, 2009, St. Clair filed a Complaint in the U.S. District Court for the District of Delaware (attached hereto as Exhibit 1 [without exhibits]) and demanded a Jury Trial (“First St. Clair Complaint”). The litigation has been assigned civil case number 1:09-cv-00354-

JJF (“First Delaware St. Clair Litigation”). The First St. Clair Complaint alleges that St. Clair owns all rights and interests in, *inter alia*, United States Patent No. 5,710,929 (“the ’929 Patent”), attached hereto as Exhibit 3; United States Patent No. 5,758,175 (“the ’175 Patent”), attached hereto as Exhibit 4; United States Patent No. 5,892,959 (“the ’959 Patent”), attached hereto as Exhibit 5; and United States Patent No. 6,079,025 (“the ’025 Patent”), attached hereto as Exhibit 6 (collectively, “the Fung Patents”). The Fung Patents are genealogically related patents.

4. The First St. Clair Complaint alleges that Defendants Acer, Inc.; Acer America Corporation; Dell Inc.; Gateway Companies, Inc.; Gateway, Inc.; Lenovo Group, Limited; and Lenovo (United States) Inc. infringe the Fung Patents by “importing into the United States, and/or making, using, selling, or offering for sale in the United States” personal computers identified in the First St. Clair Complaint. (Complaint, Exhibit 1 at 4-10.) All of the Defendants in the First St. Clair Litigation are customers of Microsoft, and St. Clair alleges that all of the Defendants’ personal computers accused of infringing the Fung Patents include a version of Microsoft Windows as their operating system.

5. On September 18, 2009, St. Clair returned to the U.S. District Court for the District of Delaware and filed a second Complaint alleging that a second set of Defendants infringed the same patents, including the Fung Patents asserted by St. Clair in the First St. Clair Complaint (“Second St. Clair Complaint”) (attached hereto as Exhibit 2 [without exhibits]). The second litigation has been assigned civil case number 1:09-cv-00704-JJF (“Second Delaware St. Clair Litigation”).

6. The Second St. Clair Complaint alleges that Defendants Apple Inc.; Toshiba Corporation; Toshiba America Information Systems, Inc.; and Toshiba America, Inc. infringe the

Fung Patents by “importing into the United States, and/or making, using, selling, or offering for sale in the United States” personal computers identified in the Second St. Clair Complaint.

Toshiba Corporation is a customer of Microsoft, and St. Clair alleges that all of the Toshiba Defendants’ personal computers accused of infringing the Fung Patents include a version of Microsoft Windows as their operating system.

7. On November 24, 2009, the Court granted the parties’ motion to consolidate the First Delaware St. Clair Litigation and the Second Delaware St. Clair Litigation. The consolidated litigation retains the original civil action number 1:09-cv-00354-JJF.

8. On December 1, 2009, St. Clair served its Preliminary Infringement Contentions pursuant to Paragraph 4(a) of the Rule 16 Scheduling Order to the Defendants named in the First St. Clair Complaint [D.I. 41.]<sup>1</sup> On March 8, 2010, St. Clair served its Preliminary Infringement Contentions to the Defendants named in the Second St. Clair Complaint [D.I. 95.]. In these infringement contentions, St. Clair explicitly accuses features of Microsoft Windows operating system—and, more specifically, the Windows Power Manager—of satisfying certain claimed limitations of the Fung Patents for each of the Defendants’ accused products named in the First Delaware St. Clair Litigation and each of the Toshiba Defendants’ accused products named in the Second Delaware St. Clair Litigation. St. Clair’s infringement contentions are substantially the same for each of the Defendants in the First Delaware St. Clair Litigation and each of the Toshiba Defendants in the Second Delaware St. Clair Litigation, especially with respect to St. Clair’s allegations relating to Windows Power Manager.

9. For example, in its Preliminary Infringement Contentions for each of the Defendants of the First Delaware St. Clair Litigation, St. Clair identifies Windows Power Manager to be the claimed “activity monitor” in the asserted claims of the ’929 Patent. (*See,*

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<sup>1</sup> Citations to docket entries refer to C.A. No. 1:09-cv-00354-JJF.

*e.g.*, Exhibit 7, Acer Contentions at Ex. C at 2 (“The power manager (*e.g.*, an activity monitor) monitors the activity level of the computer system. . . . (*see e.g.*, . . . MSDN System Power Policy “the power manager keeps track of system activity [and] determines the appropriate system power state”). *Compare id. with* Exhibit 8, Gateway Contentions at Ex. C at 2 (same); Exhibit 9, Dell Contentions at Ex. C at 2 (same); Exhibit 10, Lenovo Contentions at Ex. C at 2 (same); and Exhibit 11, Toshiba Contentions at Ex. C at 2 (same).)

10. Further, in its Preliminary Infringement Contentions, St. Clair identifies Windows Power Manager also to be the claimed “state controller” in the asserted claims of the ’929 Patent. (*See, e.g.*, Exhibit 7, Acer Contentions at Ex. C at 2 (“[A] power manager/power plane controls [*sic*] (*e.g.*, a state controller) monitors the system activity and issues state transition commands. . . . (*see e.g.*, . . . MSDN System Power States, “the system supports multiple power states that correspond to power states defined in the [] (ACPI) specification”). *Compare id. with* Exhibit 8, Gateway Contentions at Ex. C at 2 (same); Exhibit 9, Dell Contentions at Ex. C at 2 (same); Exhibit 10, Lenovo Contentions at Ex. C at 2 (same); and Exhibit 11, Toshiba Contentions at Ex. C at 2 (same).)

11. As with the ’929 Patent, St. Clair identifies Windows Power Manager in its Preliminary Infringement Contentions to be the claimed “activity monitor” in the asserted claims of the ’175 Patent. (*See, e.g.*, Exhibit 7, Acer Contentions at Ex. D at 2 (“[T]he power manager identifies computer system activities. . . [T]he power manager associates an activity value with each process. . . The power manager (*e.g.*, activity count accumulator) accumulates a total amount. . . . (*see e.g.*, . . . Mobile Battery Solutions Guide for Windows Vista, [p.41]”). *Compare id. with* Exhibit 8, Gateway Contentions at Ex. D at 2 (same); Exhibit 9, Dell

Contentions at Ex. D at 2 (same); Exhibit 10, Lenovo Contentions at Ex. D at 2 (same); and Exhibit 11, Toshiba Contentions at Ex. D at 2 (same).)

12. Further, in its Preliminary Infringement Contentions, St. Clair identifies Windows Power Manager also to be the claimed “mode controller” in the asserted claims of the ’175 Patent. (*See, e.g.*, Exhibit 7, Acer Contentions at Ex. D at 3 (“[Defendant’s] computer systems include a power manager/power plane controls [*sic*] (e.g., a mode controller) that is operable in multiple power operating states. . . . (*see e.g.*, . . . MSDN System Power States, “the system supports multiple power states that correspond to the power states defined in the [] (ACPI specification”)). *Compare id. with* Exhibit 8, Gateway Contentions at Ex. D at 3 (same); Exhibit 9, Dell Contentions at Ex. D at 3 (same); Exhibit 10, Lenovo Contentions at Ex. D at 3 (same); and Exhibit 11, Toshiba Contentions at Ex. D at 3 (same).)

13. As with the ’929 and ’175 Patents, St. Clair identifies Windows Power Manager in its Preliminary Infringement Contentions to be the claimed “activity monitor” in the asserted claims of the ’959 Patent. (*See, e.g.*, Exhibit 7, Acer Contentions at Ex. E at 3 (“[T]he power manager accumulates an activity count. . . . [T]he power manager accumulates a total amount. . . [T]he power manager maintains an idle detection threshold and compares the processor idleness (e.g., an activity count) to the threshold. . . (*see e.g.*, . . . Mobile Battery Solutions Guide for Windows Vista, [p.41]”)). *Compare id. with* Exhibit 8, Gateway Contentions at Ex. E at 3 (same); Exhibit 9, Dell Contentions at Ex. E at 3 (same); Exhibit 10, Lenovo Contentions at Ex. E at 3 (same); and Exhibit 11, Toshiba Contentions at Ex. E at 3 (same).)

14. In its Preliminary Infringement Contentions for the ’025 Patent, St. Clair identifies Microsoft Windows as being the claimed “operating system for managing and controlling said system resources” and Windows Power Manager as performing the claimed

steps of “monitoring said computer to detect exceeding a threshold value. . . ,” “generating a first-mode to second-mode transition command signal,” and “changing said operating mode.” (See, e.g., Exhibit 7, Acer Contentions at Ex. G at 13-14 (“Acer’s computer systems include. . . . Microsoft Windows as an operating system for managing and controlling the system. . . . (see e.g., . . . MSDN Power Manager, “The power manager is responsible for managing power usage for the system. . . .”; MSDN System Power Policy, “the power manager keeps track of system activity, determines the appropriate power state. . . .”; Processor Power Management in Windows Vista and Windows Server 2008, “The power manager is responsible for choosing the correct processor state. . . .”; and Mobile Battery Solutions Guide for Windows Vista, “. . . The idle detection threshold configures the minimum degree of processor idle time (in percent) that is required. . . .”). Compare *id.* with Exhibit 8, Gateway Contentions at Ex. G at 13-14 (same); Exhibit 9, Dell Contentions at Ex. G at 13-14 (same); Exhibit 10, Lenovo Contentions at Ex. G at 13-14 (same); and Exhibit 11, Toshiba Contentions at Ex. G at 13-14 (same).)

15. On January 19, 2010, counsel for St. Clair reiterated its infringement accusations against Microsoft Windows and Windows Power Manager in correspondence to counsel for Defendants in the First Delaware St. Clair Litigation. In this correspondence, St. Clair argued that with respect to the ’929 Patent, “St. Clair identified the Windows Power Manager as satisfying the claimed ‘activity monitor’” and that “as detailed in the supporting materials, the Windows Power Manager changes the operating state of the accused products. . . .” (See January 19, 2010 Letter, Exhibit 12 at 3-4.) St. Clair also argued that it “pointed to the ‘Power manager/power plane controls [as the accused state controller],’ and pointed to the following documents to illustrate how the accused products infringe claim 1: *MSDN System Power States*, which states that ‘the system supports multiple power states that correspond to the power states

defined in the [] (ACPI) specification’ p. 1. . .” (*Id.* at 4.) Further, St. Clair argued “[r]egarding dependent claim 3, . . . Microsoft Windows even uses the terms ‘sleep’ and ‘suspend’ to describe several of their operating states.” (*Id.*)

16. In its January 19, 2010 correspondence, St. Clair also reiterated its accusations against Microsoft Windows Power Manager with respect to the ’175 Patent. St. Clair again stated it “identified Microsoft’s Windows Power Manager as satisfying the ‘activity monitor’ recitation” and argued because “Windows Power Manager may function as both the activity monitor and the mode controller, it may satisfy both claim recitations.” (*Id.* at 5.)

17. In its January 19, 2010 correspondence, St. Clair further reiterated its accusations against Microsoft Windows Power Manager regarding the ’959 Patent and the ’025 Patent. For the ’959 Patent, St. Clair stated it “clearly identified the Windows Power Manager as satisfying the recited ‘activity monitor.’” (*Id.* at 6.) For the ’025 Patent, St. Clair argued that the “numerous supporting materials illustrating how the Windows Power Manager operates” allegedly shows that “each accused product monitors and detects various predefined code threads and code segments” as claimed in the ’025 Patent. (*Id.*)

18. Upon information and belief, St. Clair contends the claims of the asserted Fung Patents are valid.

19. Microsoft denies that Microsoft Windows, Microsoft Windows Power Manager, or any of Microsoft’s products infringe any claim of the ’929 Patent, the ’175 Patent, the ’959 Patent, or the ’025 Patent, and also denies that these patents are valid.

20. Henry Fung (“Fung”) is the sole inventor of the Fung Patents and a director of Vadem Ltd. (“Vadem”). Microsoft has been a shareholder of Vadem since 1999. Shortly after Microsoft became a shareholder of Vadem, Fung persuaded Vadem to transfer numerous patents,

including the Fung Patents, to Amphus—a company Fung was to substantially own, run, and profit from—for nominal consideration. Fung persuaded Vadem to make the transfer by representing that the patents were worth nothing, despite his concealed belief that they were worth “hundreds of millions.” Only a day after the patents were assigned from Vadem to Amphus, Fung resold the patents, on behalf of Amphus, to St. Clair for a considerable profit, including a percentage of all licensing revenue collected by St. Clair.

21. The self-dealing on the part of Fung was in clear violation of Fung’s fiduciary duties to Vadem and warrants disgorgement of the profits made as a consequence of the patent transfer as well as rescission of the transfer. Additionally, because the transfer was part of the larger disposition of substantially all of Vadem’s assets, under Vadem’s charter the transfer could be authorized by only a vote of the holders of a majority of the series D, E, and F stock. Upon information and belief, no such vote took place and, therefore, the patent transfer was an ultra vires act that was void ab initio.

### **JURISDICTION AND VENUE**

22. The Court has subject matter jurisdiction over this action and the matters pleaded herein under 28 U.S.C. §§ 1331 and 1338(a) because the action arises under the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, and the Patent Act of the United States, 35 U.S.C. § 101, *et seq.*

23. The Court has personal jurisdiction over Defendant St. Clair because St. Clair has voluntarily invoked this Court’s jurisdiction twice as a plaintiff in the First Delaware St. Clair Litigation and the Second Delaware St. Clair Litigation and because Microsoft’s action for declaratory judgment arises from the same transactions and same nucleus of operative facts set forth in St. Clair’s First Delaware Complaint and Second Delaware Complaint, namely the



alleged infringement of the Fung Patents by use of Microsoft Windows in Defendants' accused personal computers.

24. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391 (b),(c), and 1400(b) because, *inter alia*, St. Clair already has filed its First Delaware Complaint and Second Delaware Complaint for infringement of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent in this Court.

### **FIRST CLAIM FOR RELIEF**

#### **Declaration Relief Regarding Noninfringement**

25. Microsoft incorporates herein the allegations of paragraphs 1-24.

26. An actual and justiciable controversy exists between Plaintiff Microsoft and Defendant St. Clair as to infringement of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent, which is evidenced by St. Clair's Complaint and Amended Complaint to the U.S. District Court for the District of Delaware, St. Clair's Preliminary Infringement Contentions, and St. Clair's correspondence of January 19, 2010 as set forth above, and by Microsoft's allegations herein.

27. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, Microsoft requests the declaration of the Court that Microsoft and Microsoft Windows, including Windows Power Manager, do not infringe and have not infringed any claim of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent.

### **SECOND CLAIM FOR RELIEF**

#### **Declaratory Relief Regarding Invalidity**

28. Microsoft incorporates herein the allegations of paragraphs 1-27.

29. An actual and justiciable controversy exists between Plaintiff Microsoft and Defendant St. Clair as to invalidity of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent, which is evidenced by St. Clair's Complaint and Amended Complaint to the U.S. District Court for the District of Delaware, St. Clair's Preliminary Infringement Contentions, and St. Clair's correspondence of January 19, 2010 as set forth above, and by Microsoft's allegations herein.

30. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, Microsoft requests the declaration of the Court that each and every claim of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent is invalid under the Patent Act, 35 U.S.C. § 101, *et seq.*, including, but not limited to, sections 102, 103, and 112.

### **THIRD CLAIM FOR RELIEF**

31. Microsoft incorporates herein the allegations of paragraphs 1-30.

32. An actual and justiciable controversy exists between Plaintiff Microsoft and Defendant St. Clair as to the ownership of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent.

33. Pursuant to the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, Microsoft requests the declaration of the Court that St. Clair does not own the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent, and that St. Clair lacks standing to sue for patent infringement under the Patent Act, 35 U.S.C. § 101, *et seq.*, including, but not limited to section 271.

### **EXCEPTIONAL CASE**

34. This case is exceptional against St. Clair under 35 U.S.C. § 285.

### **PRAYER FOR RELIEF**

WHEREFORE, Microsoft prays for judgment as follows:

(1) That Microsoft does not infringe and has not infringed, directly or indirectly, the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent;

(2) That Microsoft Windows, including Windows Power Manager, does not infringe and has not infringed, directly or indirectly, the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent;

(3) That the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent are invalid;

(4) That St. Clair, and all persons acting on its behalf or in concert with it, be permanently enjoined and restrained from charging, orally or in writing, that any of the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent are infringed, directly or indirectly, by Microsoft or Microsoft Windows, including Windows Power Manager;

(5) That St. Clair does not own the '929 Patent, the '175 Patent, the '959 Patent, and the '025 Patent;

(6) That Microsoft be awarded its costs, expenses, and reasonable attorney fees in this action; and

(7) That Microsoft be awarded such other and further relief as the Court may deem appropriate.

Dated: June 21, 2012

FISH & RICHARDSON P.C.

By: /s/ Tara D. Elliott

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