

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

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TONERHEAD, INC., an Illinois corporation,

Plaintiff,

v.

INKTEC ZONE AMERICA  
CORPORATION, a Delaware corporation;  
RETAIL INKJET SOLUTIONS, INC., a  
Delaware corporation, PHOENIX INK  
CORPORATION, a Texas corporation;  
COSTCO WHOLESALE CORPORATION, a  
Washington corporation; JEWEL-OSCO, INC.  
a Delaware corporation and OFFICEMAX  
INCORPORATED, a Delaware corporation,

Defendants.

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) Case No. 1:10-CV-02420

) **RETAIL INKJET SOLUTIONS, INC.'S**  
) **AND COSTCO WHOLESALE**  
) **CORPORATION'S AMENDED**  
) **ANSWER TO SECOND AMENDED**  
) **COMPLAINT AND**  
) **COUNTERCLAIMS OF RETAIL**  
) **INKJET SOLUTIONS, INC.; JURY**  
) **DEMAND**

) Honorable James F. Holderman

) Magistrate Judge Sheila Finnegan

Defendants Retail Inkjet Solutions, Inc. ("RIS") and Costco Wholesale Corporation ("Costco") (collectively, "Defendants") hereby respond to the numbered paragraphs of the Second Amended Complaint of Plaintiff Tonerhead, Inc. ("Tonerhead") as follows:

1. This is an action for infringement of United States Letters Patent No. 7,089,973 ("the '973 patent") and United States Letters Patent No. 7,628,181 ("the '181 patent"). Jurisdiction is vested in this Court pursuant to 28 U.S.C. § 1338(a) and venue lies in this District by virtue of 28 U.S.C. §§ 1391 and 1400(b).

Defendants admit that the Complaint purports to state an action for patent infringement relating to U.S. Patent No. 7,089,973 ("the '973 patent") and U.S. Patent No. 7,628,181 ("the '181 patent"). Defendants admit that this Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1338(a). Defendants deny the remaining allegations set forth in paragraph 1 of the Complaint.

2. Plaintiff, Tonerhead, Inc., ("Tonerhead") is a corporation organized and existing under the laws of the State of Illinois and has its principal place of business at 1809 South Route 31, McHenry, Illinois 60050.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 2 of the Complaint, and therefore deny those allegations.

3. Defendant, InkTec Zone America Corporation ("InkTec"), is, on information and belief, a corporation organized and existing under the laws of the State of Delaware and has a place of business at 22 McGrath Hwy., Suite 210, Sommerville, Massachusetts 02143. On information and belief, InkTec is doing business in this District.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 3 of the Complaint, and therefore deny those allegations.

4. Defendant, Retail Inkjet Solutions, Inc. ("RIS"), is, on information and belief, a corporation organized and existing under the laws of the State of Delaware, and has a place of business at 2445 Impala Drive, Carlsbad, CA 92010. On information and belief, RIS is doing business in this District.

Defendants admit the allegations set forth in paragraph 4 of the Complaint.

5. Defendant, Phoenix Ink Corporation ("Phoenix Ink"), is, on information and belief, a corporation organized and existing under the laws of the State of Texas, and has a place of business at 5284 Paylor Lane, Sarasota, Florida 34240. On information and belief, Phoenix Ink is doing business in this District.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 5 of the Complaint, and therefore deny those allegations.

6. Defendant, Costco Wholesale Corporation ("Costco"), is, on information and belief, a company organized and existing under the laws of the State of Washington, and has a place of business at 999 Lake Drive, Issaquah, Washington 98027. On information and belief, Costco is doing business in this District.

Defendants admit the allegations set forth in paragraph 6 of the Complaint.

7. Defendant, Jewel-Osco, Inc. ("Jewel-Osco"), is, on information and belief, a company organized and existing under the laws of the State of Delaware, and has a place of business at 150 Pierce Road, Itasca, Illinois 60143. On information and belief, Jewel-Osco is doing business in this District.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 7 of the Complaint, and therefore deny those allegations.

8. Defendant, OfficeMax Incorporated, ("OfficeMax"), is, on information and belief, a company organized and existing under the laws of the State of Delaware, and has a place of business at 263 Shuman Boulevard, Naperville, IL 60563. On information and belief, OfficeMax is doing business in this District.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations set forth in paragraph 8 of the Complaint, and therefore deny those allegations.

9. On August 15, 2006, United States Letters Patent No. 7,089,973 was duly and legally issued by the United States Patent and Trademark Office for an invention entitled "Apparatus for Refilling Inkjet Cartridges and Methods Thereof". A true and correct copy of the '973 patent is attached as Exhibit A hereto. Tonerhead is the owner of the entire, right, title and interest in the '973 patent and has the right to bring suit thereon.

Defendants admit that Exhibit A to the complaint purports to be a copy of U.S. Patent No. 7,089,973 entitled "Apparatus for Refilling Inkjet Cartridges and Methods Thereof." Defendants admit that the '973 patent states on its face that it was issued on August 15, 2006 to Tonerhead as the assignee. Defendants deny that the '973 patent was duly or legally issued.

Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations of paragraph 9 of the Complaint, and therefore deny those allegations.

10. On December 8, 2009, United States Letters Patent No. 7,628,181 was duly and legally issued by the United States Patent and Trademark Office for an invention entitled "Apparatus for Refilling Inkjet Cartridges and Methods Thereof". A true and correct copy of the '181 patent is attached as Exhibit B hereto. Tonerhead is the owner of the entire, right, title and interest in the '181 patent and has the right to bring suit thereon.

Defendants admit that Exhibit B to the complaint purports to be a copy of U.S. Patent No. 7,628,181 entitled "Apparatus for Refilling Inkjet Cartridges and Methods Thereof." Defendants admit that the '181 patent states on its face it was issued on December 8, 2009 to Tonerhead as the assignee. Defendants deny that the '181 patent was duly or legally issued. Defendants lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations of paragraph 10 of the Complaint, and therefore deny those allegations.

11. InkTec, RIS and Costco, on information and belief, have infringed, either directly and/or through acts of contributory infringement and/or acts of inducement of infringement, the '973 patent in this District and elsewhere by making, using, offering for sale and/or selling the invention of the '973 patent and/or by inducing others to use the invention of the '973 patent.

To the extent the allegations set forth in paragraph 11 of the Complaint are asserted against either RIS or Costco, Defendants deny those allegations. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations asserted against InkTec in paragraph 11 of the Complaint, and therefore deny those allegations.

12. InkTec, RIS, Phoenix Ink, Costco, Jewel-Osco and OfficeMax, on information and belief, have infringed, either directly and/or through acts of contributory infringement and/or acts of inducement of infringement, the '181 patent in this District and elsewhere by making, using, offering for sale and/or selling the invention of the '181 patent and/or by inducing others to use the invention of the '181 patent.

To the extent the allegations set forth in paragraph 12 of the Complaint are asserted against either RIS or Costco, Defendants deny those allegations. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations asserted against InkTec, Phoenix Ink, Jewel-Osco, or OfficeMax in paragraph 12 of the Complaint, and therefore deny those allegations.

13. The wrongful acts of InkTec, RIS and Costco respecting the '973 patent were undertaken without authority and without license from Tonerhead. On information and belief, InkTec, RIS and Costco had actual knowledge of the '973 patent and their acts of infringement have been willful and wanton in blatant disregard for the intellectual property rights of Tonerhead.

To the extent the allegations set forth in paragraph 13 of the Complaint are asserted against either RIS or Costco, Defendants deny those allegations. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations asserted against InkTec in paragraph 13 of the Complaint, and therefore deny those allegations.

14. The wrongful acts of InkTec, RIS, Phoenix Ink, Costco, Jewel-Osco and OfficeMax respecting the '181 patent were undertaken without authority and without license from Tonerhead. On information and belief, InkTec, RIS, Phoenix Ink, Costco, Jewel-Osco and OfficeMax had actual knowledge of the '181 patent and their acts of infringement have been willful and wanton in blatant disregard for the intellectual property rights of Tonerhead.

To the extent the allegations set forth in paragraph 14 of the Complaint are asserted against either RIS or Costco, Defendants deny those allegations. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations asserted against InkTec, Phoenix Ink, Jewel-Osco, or OfficeMax in paragraph 14 of the Complaint, and therefore deny those allegations.

15. The wrongful acts of InkTec, RIS, Phoenix Ink, Costco, Jewel-Osco and OfficeMax as alleged herein have occurred, and will continue to occur, in this Judicial District and throughout the United States.

To the extent the allegations set forth in paragraph 15 of the Complaint are asserted against either RIS or Costco, Defendants deny those allegations. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations asserted against InkTec, Phoenix Ink, Jewel-Osco, or OfficeMax in paragraph 15 of the Complaint, and therefore deny those allegations.

16. Tonerhead has suffered damage by reason of the acts of infringement by InkTec, RIS, Phoenix Ink, Costco, Jewel-Osco and/or OfficeMax and will suffer additional and irreparable damage unless InkTec, RIS, Phoenix Ink, Costco, Jewel-Osco and OfficeMax are enjoined by this Court from continuing their acts of infringement.

To the extent the allegations set forth in paragraph 16 of the Complaint are asserted against either RIS or Costco, Defendants deny those allegations. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations asserted against InkTec, Phoenix Ink, Jewel-Osco, or OfficeMax in paragraph 16 of the Complaint, and therefore deny those allegations.

### **AFFIRMATIVE DEFENSES**

Defendants set forth the following affirmative and other defenses. Defendants do not intend hereby to assume the burden of proof with respect to those matters on which, under law, Tonerhead bears the burden of proof.

#### **First Affirmative Defense**

17. Defendants do not infringe, induce infringement of, or contribute to the infringement of, any valid and/or enforceable claim of the '973 patent or the '181 patent.

#### **Second Affirmative Defense**

18. The '973 patent and the '181 patent are invalid for failure to satisfy the provisions of one or more of Sections 101, 102, 103 and/or 112 of Title 35 of the United States Code.

#### **Third Affirmative Defense**

19. The '973 patent and the '181 patent are unenforceable as the persons listed as inventors on the '973 patent and the '181 patent, by and through their agents, employees, and/or servants, committed acts constituting inequitable conduct and fraud during the prosecution of U.S. Patent Application Serial No. 10/918,307 ("the '307 application") that issued as the '973 patent and U.S. Patent Application Serial No. 12/025,487 ("the '487 application") that issued as the '181 patent.

20. The attorney that prosecuted the '181 patent, Christopher Moreno ("Moreno"), made materially false and misleading statements to the U.S. Patent and Trademark Office ("PTO") during the examination of the '181 patent and did so with an intent to deceive the Examiner into issuing the '181 patent.

21. The '181 patent was filed as U.S. Patent Application No. 12/025,487 ("the '487 application") on February 4, 2008. The '487 application was filed as a continuation of U.S. Application No. 11/463,995 ("the '995 application"), which was filed on August 11, 2006 as a continuation of U.S. Application No. 10/918,307 ("the '307 application") on August 13, 2004. The '307 application claims priority, under 35 U.S.C. §119(e), to Provisional Application Serial No. 60/495,262 ("the '262 provisional application") filed on August 14, 2003.

22. The disclosure of the '487 application contains material not contained in either the '995 application or the '307 application.

23. The disclosure of the '487 application thus contains new matter not contained in either the '995 application or the '307 application.

24. During prosecution of the '487 application, in a document entitled "Preliminary Remarks," filed February 4, 2008, Moreno stated, "[t]he specification of the instant application has been amended to include, among other things, paragraph [0077] comprising the subject matter originally disclosed in the '262 provisional application" and that "new FIG. 10 summarizes the subject matter taken from the '262 provisional application." Moreno represented that "no new subject matter has been added to the instant disclosure."

25. Upon information and belief, Moreno prosecuted the '307 application and the '995 application and knew that the disclosure of the '307 application did not expressly incorporate by reference the disclosure of the '262 provisional application.

26. Upon information and belief, Moreno knew that any disclosure present in the '262 application, but omitted from the disclosure of the '307 application, was not part of the '307 application or the '995 application.

27. Upon information and belief, Moreno knew that the addition of paragraphs [0077] and Fig. 10 to the '487 application constituted new matter not present in either the '307 application or the '995 application.

28. Upon information and belief, through the statements contained in the "Preliminary Remarks," Moreno intentionally misled the PTO and the Examiner into believing

that the additional disclosure in the '487 application did not add new matter and, thus, the '487 application was entitled to claim priority to the '995 application.

29. The added material in paragraph [0077] and FIG. 10 provide the only disclosure in the '487 application for the concept that, upon completion of the emptying, cleaning and refilling process, the display prompts the operator to remove the cartridge and insert it into a print-testing station.

30. The added material in paragraph [0077] and FIG. 10 provide the only disclosure in the '487 application for a print testing station separate from the station where emptying, cleaning, and refilling of the ink cartridges occur.

31. At least Claims 5, 8, 9, 12, and 13 of the '181 patent claim subject matter disclosed in paragraph [0077] and FIG. 10, but not present in any other portion of the disclosure of the '487 application.

32. The addition of paragraph [0077] and FIG. 10 to the disclosure of the '487 application is material to patentability for at least the reason that claims 5, 8, 9, 12, and 13 of the '181 patent require the added material in paragraph [0077] and FIG. 10 for written description support under 35 U.S.C. §112.

33. Moreno misled the PTO into granting the '487 application the benefit of priority to the '995 application. As a result of Moreno's actions, prior art known, used, or described between August 14, 2003 (the filing date of the '267 provisional application), to February 3, 2008 (the day before the filing date of the '181 application), was not considered when assessing the novelty and non-obviousness of the claims of the '181 patent. Accordingly, the priority date of the '487 application was material to patentability.

34. Upon information and belief, the '181 patent is unenforceable for the additional reason that a named inventor on the '481 patent, Harry Nicodem ("Nicodem"), intentionally withheld a material reference from the PTO during the examination of the '181 patent, and did so with an intent to deceive the Examiner into issuing the '181 patent.



35. Upon information and belief, Nicodem was aware of information material to patentability of the claims of the '181 patent, but withheld or failed to submit such information in accordance with 37 C.F.R. §§ 1.97 and 1.98 with an intent to deceive the PTO in violation of the duty of disclosure set forth in 37 C.F.R. § 1.56.

36. The withheld information includes knowledge of ink cartridge refilling machines made, used, and sold by TonerPlus, Inc. and/or TonerPlus, L.P. (collectively "TonerPlus") known as RAMORA™ Automated Ink Jet Cleaning, Filling, and Recovery Systems, which include the RAMORA™ X model and related software and/or internet webpages that provide instructions for refilling various cartridges using the RAMORA™ X ink refilling machines (the "RAMORA Prior Art"). The RAMORA Prior Art was described in a printed publication, in public use, or on sale in the United States prior to August 14, 2002.

37. Upon information and belief, Tonerhead supplied TonerPlus with products manufactured and/or distributed by Tonerhead, including the TonerHead™ Inkjet Printer TestMessenger, as early as June 2003. Upon information and belief, Tonerhead and Nicodem had knowledge of TonerPlus as well as TonerPlus' ink cartridge refilling machines, including the RAMORA Prior Art, at least as early as June 2003. The RAMORA Prior Art constitutes information material to the patentability of at least claims 1, 2, 4, 6, 10, 12, and 13 of the '181 patent.

38. Upon information and belief, during prosecution of the application that led to the '181 patent, Nicodem was aware of the RAMORA Prior Art. Nonetheless, Nicodem intentionally failed to disclose this material prior art during prosecution of the '181 patent with an intent to deceive the PTO. This withholding of information material to patentability, with an intent to deceive the PTO, is in violation of the uncompromising duty of candor under 37 C.F.R. § 1.56 and constitutes inequitable conduct.

39. The '973 patent is unenforceable because Nicodem intentionally withheld a material reference from the PTO during the examination of the '973 patent, and did so with an intent to deceive the Examiner into issuing the '973 patent.

40. Upon information and belief, Nicodem was aware of the RAMORA Prior Art. Upon information and belief, Nicodem was aware that the RAMORA Prior Art was material to the patentability of the claims of the '973 patent, but withheld or failed to submit such information in accordance with 37 C.F.R. §§ 1.97 and 1.98 with an intent to deceive the PTO in violation of the duty of disclosure set forth in 37 C.F.R. § 1.56.

41. The RAMORA Prior Art constitutes information material to the patentability of claims 1 to 15 of the '973 patent.

42. Upon information and belief, during prosecution of the application that led to the '973 patent, Nicodem was aware of the RAMORA™ Prior Art. Nonetheless, upon information and belief, Nicodem intentionally failed to disclose this material prior art during prosecution of the '973 patent with an intent to deceive the PTO. This withholding of information material to patentability, with an intent to deceive the PTO, is in violation of the uncompromising duty of candor under 37 C.F.R. § 1.56 and constitutes inequitable conduct.

#### **Fourth Affirmative Defense**

43. Tonerhead's claims for relief are barred in whole or in part by the doctrine of unclean hands.

#### **Fifth Affirmative Defense**

44. Tonerhead's claims are barred, in whole or in part, because the Second Amended Complaint fails to state any claim upon which relief can be granted.

#### **Sixth Affirmative Defense**

45. Upon information and belief, Tonerhead's claims are barred by the doctrines of waiver, laches, and/or estoppel.

**Seventh Affirmative Defense**

46. Upon information and belief, Tonerhead has misused the '973 patent and/or the '181 patent by the maintenance of this action, in bad faith, when it should have known the patents were invalid, unenforceable, and/or it had no valid claim of patent infringement against Defendants.

**COUNTERCLAIMS**

Defendant/Counterclaimant Retail Inkjet Solutions, Inc. ("RIS") brings the following Counterclaims against Plaintiff/Counterdefendant Tonerhead, Inc. ("Tonerhead") as follows:

**PARTIES**

47. Counterclaimant RIS is a corporation organized and existing under the laws of the State of Delaware, and has a place of business at 2445 Impala Drive, Carlsbad, CA 92010.

48. Upon information and belief, Counterdefendant Tonerhead is a corporation organized and existing under the laws of the State of Illinois and has its principal place of business at 1809 South Route 31, McHenry, Illinois 60050.

**JURISDICTION AND VENUE**

49. This is an action for declaratory judgment that U.S. Patent No. 7,089,973 ("the '973 patent") and U.S. Patent No. 7,628,181 ("the '181 patent") (collectively, "the Patents-In-Suit") are invalid, unenforceable and/or not infringed by RIS.

50. This action is based on an actual controversy between Tonerhead and RIS concerning the validity, enforceability and/or non-infringement of the Patents-In-Suit.

51. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1338(a), 2201, and 2202.

52. This Court has personal jurisdiction over Counterdefendant Tonerhead on the basis of, *inter alia*, its contacts with this District relating to the subject matter of this action, including having filed this suit.

53. In view of the foregoing, an actual case or controversy exists between Counterclaimant RIS and Counterdefendant Tonerhead with respect to the validity, enforceability, and/or infringement of the Patents-In-Suit.

**First Counterclaim – Declaration of Noninfringement**

54. RIS repeats and realleges paragraphs 47-53 as if set forth specifically herein.

55. RIS does not infringe, either directly, through contributory infringement or by inducement, any valid and/or enforceable claim of the '973 patent or the '181 patent.

**Second Counterclaim – Declaration of Invalidity**

56. RIS repeats and realleges paragraphs 47-55 as if set forth specifically herein.

57. The claims of the '973 patent and the '181 patent are invalid for failure to satisfy one or more provisions of 35 U.S.C. §§ 101, 102, 103, and/or 112.

**Third Counterclaim – Declaration of Unenforceability of the '181 Patent**

58. RIS repeats and realleges paragraphs 47-57 as if set forth specifically herein.

59. The attorney that prosecuted the '181 patent, Christopher Moreno ("Moreno"), made materially false and misleading statements to the U.S. Patent and Trademark Office ("PTO") during the examination of the '181 patent and did so with an intent to deceive the Examiner into issuing the '181 patent.

60. The '181 patent was filed as U.S. Patent Application No. 12/025,487 ("the '487 application") on February 4, 2008. The '487 application was filed as a continuation of U.S. Application No. 11/463,995 ("the '995 application"), which was filed on August 11, 2006 as a continuation of U.S. Application No. 10/918,307 ("the '307 application") on August 13, 2004. The '307 application claims priority, under 35 U.S.C. §119(e), to Provisional Application Serial No. 60/495,262 ("the '262 provisional application") filed on August 14, 2003.

61. The disclosure of the '487 application contains material not contained in either the '995 application or the '307 application.

62. The disclosure of the '487 application thus contains new matter not contained in either the '995 application or the '307 application.

63. During prosecution of the '487 application, in a document entitled "Preliminary Remarks," filed February 4, 2008, Moreno stated, "[t]he specification of the instant application has been amended to include, among other things, paragraph [0077] comprising the subject matter originally disclosed in the '262 provisional application" and that "new FIG. 10 summarizes the subject matter taken from the '262 provisional application." Moreno represented that "no new subject matter has been added to the instant disclosure."

64. Upon information and belief, Moreno prosecuted the '307 application and the '995 application and knew that the disclosure of the '307 application did not expressly incorporate by reference the disclosure of the '262 provisional application.

65. Upon information and belief, Moreno knew that any disclosure present in the '262 application, but omitted from the disclosure of the '307 application, was not part of the '307 application or the '995 application.

66. Upon information and belief, Moreno knew that the addition of paragraphs [0077] and Fig. 10 to the '487 application constituted new matter not present in either the '307 application or the '995 application.

67. Upon information and belief, through the statements contained in the "Preliminary Remarks," Moreno intentionally misled the PTO and the Examiner into believing that the additional disclosure in the '487 application did not add new matter and, thus, the '487 application was entitled to claim priority to the '995 application.

68. The added material in paragraph [0077] and FIG. 10 provide the only disclosure in the '487 application for the concept that, upon completion of the emptying, cleaning and refilling process, the display prompts the operator to remove the cartridge and insert it into a print-testing station.

69. The added material in paragraph [0077] and FIG. 10 provide the only disclosure in the '487 application for a print testing station separate from the station where emptying, cleaning, and refilling of the ink cartridges occur.

70. At least Claims 5, 8, 9, 12, and 13 of the '181 patent claim subject matter disclosed in paragraph [0077] and FIG. 10, but not present in any other portion of the disclosure of the '487 application.

71. The addition of paragraph [0077] and FIG. 10 to the disclosure of the '487 application is material to patentability for at least the reason that claims 5, 8, 9, 12, and 13 of the '181 patent require the added material in paragraph [0077] and FIG. 10 for written description support under 35 U.S.C. §112.

72. Moreno misled the PTO into granting the '487 application the benefit of priority to the '995 application. As a result of Moreno's actions, prior art known, used, or described between August 14, 2003 (the filing date of the '267 provisional application), to February 3, 2008 (the day before the filing date of the '181 application), was not considered when assessing the novelty and non-obviousness of the claims of the '181 patent. Accordingly, the priority date of the '487 application was material to patentability.

73. Upon information and belief, the '181 patent is unenforceable for the additional reason that a named inventor on the '481 patent, Harry Nicodem ("Nicodem"), intentionally withheld a material reference from the PTO during the examination of the '181 patent, and did so with an intent to deceive the Examiner into issuing the '181 patent.

74. Upon information and belief, Nicodem was aware of information material to patentability of the claims of the '181 patent, but withheld or failed to submit such information in accordance with 37 C.F.R. §§ 1.97 and 1.98 with an intent to deceive the PTO in violation of the duty of disclosure set forth in 37 C.F.R. § 1.56.

75. The withheld information includes knowledge of ink cartridge refilling machines made, used, and sold by TonerPlus, Inc. and/or TonerPlus, L.P. (collectively "TonerPlus") known as RAMORA™ Automated Ink Jet Cleaning, Filling, and Recovery Systems, which include the RAMORA™ X model and related software and/or internet webpages that provide instructions for refilling various cartridges using the RAMORA™ X ink refilling machines (the

“RAMORA Prior Art”). The RAMORA Prior Art was described in a printed publication, in public use, or on sale in the United States prior to August 14, 2002.

76. Upon information and belief, Tonerhead supplied TonerPlus with products manufactured and/or distributed by Tonerhead, including the TonerHead™ Inkjet Printer TestMessenger, as early as June 2003. Upon information and belief, Tonerhead and Nicodem had knowledge of TonerPlus as well as TonerPlus’ ink cartridge refilling machines, including the RAMORA Prior Art, at least as early as June 2003. The RAMORA Prior Art constitutes information material to the patentability of at least claims 1, 2, 4, 6, 10, 12, and 13 of the ‘181 patent.

77. Upon information and belief, during prosecution of the application that led to the ‘181 patent, Nicodem was aware of the RAMORA Prior Art. Nonetheless, Nicodem intentionally failed to disclose this material prior art during prosecution of the ‘181 patent with an intent to deceive the PTO. This withholding of information material to patentability, with an intent to deceive the PTO, is in violation of the uncompromising duty of candor under 37 C.F.R. § 1.56 and constitutes inequitable conduct.

**Fourth Counterclaim – Declaration of Unenforceability of the ‘973 Patent**

78. RIS repeats and realleges paragraphs 47-77 as if set forth specifically herein.

79. The ‘973 patent is unenforceable because Nicodem intentionally withheld a material reference from the PTO during the examination of the ‘973 patent, and did so with an intent to deceive the Examiner into issuing the ‘973 patent.

80. Upon information and belief, Nicodem was aware of the RAMORA Prior Art. Upon information and belief, Nicodem was aware that the RAMORA Prior Art was material to the patentability of the claims of the ‘973 patent, but withheld or failed to submit such information in accordance with 37 C.F.R. §§ 1.97 and 1.98 with an intent to deceive the PTO in violation of the duty of disclosure set forth in 37 C.F.R. § 1.56.

81. The RAMORA Prior Art constitutes information material to the patentability of claims 1 to 15 of the '973 patent.

82. Upon information and belief, during prosecution of the application that led to the '973 patent, Nicodem was aware of the RAMORA™ Prior Art. Nonetheless, upon information and belief, Nicodem intentionally failed to disclose this material prior art during prosecution of the '973 patent with an intent to deceive the PTO. This withholding of information material to patentability, with an intent to deceive the PTO, is in violation of the uncompromising duty of candor under 37 C.F.R. § 1.56 and constitutes inequitable conduct.

**Fifth Counterclaim – Tortious Interference With Contract**

83. RIS repeats and realleges paragraphs 47-82 as if set forth specifically herein.

84. RIS had entered into a valid contract with at least Defendant Costco to provide RIS inkjet cartridge refilling machines (“RIS Machines”) to various retail centers.

85. Tonerhead is a direct competitor of RIS and was aware of RIS’ contracts to provide RIS Machines to various retail centers.

86. Tonerhead purposefully interfered with the full realization of these contracts by filing a baseless lawsuit against RIS and notifying RIS customers, including at least Costco, of its allegations that RIS Machines infringed Tonerhead’s ‘181 and ‘973 patents.

87. Tonerhead acquired both the ‘181 and the ‘973 patent through inequitable conduct and thus knew or should have known that both the ‘181 patent and the ‘973 patent are unenforceable.

88. Tonerhead knew or should have known that both the ‘181 patent and the ‘973 patent are invalid.

89. Tonerhead’s assertions that the RIS infringe any valid claim of the ‘181 patent or the ‘973 patent were made in bad faith, as Tonerhead’s assertions were false or were made without regard to the truth of the assertions.



90. Tonerhead's assertions have interfered with RIS' sales to its customers, including at least Costco.

91. As a result of Tonerhead's interference, RIS has and will continue to suffer great harm and damage.

92. RIS is informed and believes, and thereon alleges, that, Tonerhead's actions, constituting tortious interference with the contracts between RIS and its customers, including at least Costco, were, and continue to be, willful, oppressive, and malicious. Upon information and belief, Tonerhead's conduct was outrageous and perpetrated with an evil motive or with reckless indifference to RIS' rights, warranting an award of punitive damages and an award of reasonable attorneys' fees.

**Fifth Counterclaim – Tortious Interference With Prospective Economic Advantage**

93. RIS repeats and realleges paragraphs 47-92 as if set forth specifically herein.

94. RIS and its customers, including at least Costco, are in an economic relationship that provides an economic benefit to RIS, whereby RIS provides RIS Machines to various retail centers.

95. Tonerhead is a direct competitor of RIS and is aware of the economic relationship between RIS and its customers, including at least Costco, to provide RIS Machines to various retail centers.

96. Tonerhead purposefully interfered with the full realization of RIS' business expectancy by filing a baseless lawsuit against RIS and notifying various RIS customers, including at least Costco, of its allegations that RIS Machines infringed Tonerhead's '181 and '973 patents.

97. Tonerhead acquired both the '181 and the '973 patent through inequitable conduct and thus knew or should have known that both the '181 patent and the '973 patent are unenforceable.

98. Tonerhead knew or should have known that both the '181 patent and the '973 patent are invalid.

99. Tonerhead's assertions that the RIS Machines, which form the subject of RIS' business expectancy, infringe any valid and enforceable claim of the '181 patent or the '973 patent were made in bad faith, as Tonerhead's assertions were false or were made without regard to the truth of the assertions.

100. Tonerhead's assertions have interfered with RIS' sales to its customers, including at least Costco.

101. As a result of Tonerhead's interference, RIS has and will continue to suffer great harm and damage.

102. RIS is informed and believes, and thereon alleges, that, Tonerhead's actions, constituting tortious interference with RIS' prospective economic advantage, were, and continue to be, willful, oppressive, and malicious. Upon information and belief, Tonerhead's conduct was outrageous and perpetrated with an evil motive or with reckless indifference to RIS' rights warranting an award of punitive damages and an award of reasonable attorneys' fees.

#### **PRAYER FOR RELIEF**

WHEREFORE, Defendants/Counterclaimant RIS and Defendant Costco pray for the following relief:

A. That all claims against Defendants RIS and Costco be dismissed with prejudice and that all relief requested by Tonerhead be denied;

B. That a judgment be entered declaring that Defendant RIS has not, and does not, infringe, directly, through contributory infringement or by inducement, any valid and enforceable claim of U.S. Patent No. 7,089,973 or U.S. Patent No. 7,628,181;

C. That a judgment be entered declaring that the claims of U.S. Patent No. 7,089,973 and U.S. Patent No. 7,628,181 are invalid;

D. That a judgment be entered declaring that the claims of U.S. Patent No. 7,089,973 and U.S. Patent No. 7,628,181 are unenforceable for inequitable conduct;

E. That Counterdefendant Tonerhead be adjudged to have engaged in tortious interference of RIS' contracts with its customers, including at least Costco;

F. That Counterdefendant Tonerhead be adjudged to have engaged in tortious interference of RIS' prospective economic advantage;

G. That damages be awarded sufficient to compensate RIS for Tonerhead's tortious interference of contract;

H. That damages be awarded sufficient to compensate RIS for Tonerhead's tortious interference with RIS' prospective economic advantage;

I. That RIS be awarded reasonable attorneys' fees and punitive damages for Tonerhead's tortious interference of contract;

J. That RIS be awarded reasonable attorneys' fees and punitive damages for Tonerhead's tortious interference of prospective economic advantage;

K. That Tonerhead and its agents, representatives, attorneys and those persons in active concert or participation with Tonerhead who receive actual notice thereof, be preliminarily and permanently enjoined from threatening or initiating infringement litigation against RIS or Costco or any of their customers, dealers or suppliers, or any prospective or present sellers, dealers, distributors or customers of RIS or Costco, or charging any of them either orally or in writing with infringement of U.S. Patent No. 7,089,973 or U.S. Patent No. 7,628,181;

L. That a judgment be entered, declaring that this action is an exceptional case within the meaning of 35 U.S.C. § 285 and that RIS and Costco are entitled to recover their reasonable attorneys' fees upon prevailing in this action;

M. That RIS and Costco be awarded costs, attorneys fees and other relief, both legal and equitable, to which they may be justly entitled; and

N. That RIS and Costco be awarded such other and further relief as is just and proper.

**JURY DEMAND**

Defendants RIS and Costco demand trial by jury of all issues in this action so triable.

Respectfully submitted,

Dated: October 25, 2010

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COSTCO WHOLESALE CORPORATION

**CERTIFICATE OF SERVICE**

The undersigned counsel for Defendants, Retail Inkjet Solutions and Costco Wholesale Corporation, hereby certified that on October 4, 2010, a true and correct copy of **RETAIL INKJET SOLUTIONS, INC.'S AND COSTCO WHOLESALE CORPORATION'S ANSWER TO SECOND AMENDED COMPLAINT AND COUNTERCLAIMS OF RETAIL INKJET SOLUTIONS, INC.; JURY DEMAND** was filed electronically with the Clerk of Court through the Court's CM/ECF System, which will provide electronic notification of such filing to the following counsel of record:

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Dated: October 25, 2010

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