

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

CLS BANK INTERNATIONAL, )  
39 Broadway )  
New York, New York 10006 )  
 )  
Plaintiff, )

v. )

Case No. 07-CV-00974-RMC

ALICE CORPORATION PTY. LTD., )  
GPO Box 4933 )  
Melbourne VIC 3001, Australia )  
 )  
Defendant. )

ALICE CORPORATION PTY. LTD., )  
 )  
Counterclaim-Plaintiff, )

v. )

CLS BANK INTERNATIONAL, )  
 )  
Counterclaim-Defendant, )

and )

CLS SERVICES LTD., )  
One Harbour Exchange Square )  
London, England, E14 9GE, U.K. )  
 )  
Counterclaim-Defendant. )

**ANSWER AND COUNTERCLAIMS OF DEFENDANT  
ALICE CORPORATION PTY. LTD.**

Defendant, ALICE CORPORATION PTY. LTD. (“Alice”), by and through its attorneys, hereby answers the numbered paragraphs in Plaintiff, CLS BANK INTERNATIONAL’S, (“CLS Bank”), Complaint, as follows:

1. Alice admits that this purports to be an action for declaratory judgment arising under the Patent Laws and the Declaratory Judgment Act, but otherwise denies the allegations contained in ¶ 1.

2. Alice lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in ¶ 2, and on that basis denies them.

3. Admitted.

4. Admitted.

5. Admitted.

6. Admitted.

7. Alice admits the first sentence of ¶ 7, but otherwise denies. The Court is respectfully referred to the actual patent (a copy of which is attached hereto as Exhibit A) for a full and complete statement of the contents thereof.

8. Alice admits the first sentence of ¶ 8, but otherwise denies. The Court is respectfully referred to the actual patent (a copy of which is attached hereto as Exhibit B) for a full and complete statement of the contents thereof.

9. Alice admits the first sentence of ¶ 9, but otherwise denies. The Court is respectfully referred to the actual patent (a copy of which is attached hereto as Exhibit C) for a full and complete statement of the contents thereof

10. Alice admits that it owns and has full right to enforce U.S. Patent No. 5,970,479; U.S. Patent No. 6,912,510 and U.S. Patent No. 7,149,720.

11. Alice lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in ¶ 11 of the Complaint, and on that basis denies them.

12. Alice lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in ¶ 12 of the Complaint, and on that basis denies them.

13. Alice admits that its counsel wrote to CLS Bank on October 4, 2002, notifying CLS of the '479 patent but denies any characterization of that correspondence.

14. Alice admits that it wrote to CLS Bank on July 11, 2005, notifying CLS of the '510 patent but denies any characterization of that correspondence.

15. Alice admits that it wrote to CLS Bank on August 30, 2005, but denies any characterization of that correspondence.

16. Alice admits that its counsel wrote to CLS Bank on April 6, 2007, notifying CLS of the '720 patent but denies any characterization of that correspondence.

### **Count I**

17. Alice's answers to paragraphs 1-16 of the Complaint are hereby incorporated by reference as if fully set forth herein.

18. Denied.

19. Alice lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in ¶ 19 of the Complaint, and on that basis denies them.

20. Alice lacks knowledge or information sufficient to form a belief as to the truth of the allegations contained in ¶ 20 of the Complaint, and on that basis denies them.

21. Denied.

22. Denied.

23. Alice states that the allegations contained in ¶ 23 of the Complaint are conclusions of law, requiring no further answer. To the extent an answer is required, Alice denies the allegations contained in ¶ 23.

24. Denied.

25. Denied.

### **Count II**

26. Alice's answers to paragraphs 1-25 of the Complaint are hereby incorporated by reference as if fully set forth herein.

27. Alice states that the allegations contained in ¶ 27 of the Complaint are conclusions of law, requiring no further answer. To the extent an answer is required, Alice denies the allegations contained in ¶ 27.

28. Alice states that the allegations contained in ¶ 28 of the Complaint are conclusions of law, requiring no further answer. To the extent an answer is required, Alice denies the allegations contained in ¶ 28.

29. Denied.

### **Count III**

30. Alice's answers to paragraphs 1-29 of the Complaint are hereby incorporated by reference as if fully set forth herein.

Alice states that a motion to dismiss Count III was filed with the Court on August 16, 2007, and therefore no response is required at this time. In the event Alice's motion is denied, the allegations contained in ¶¶ 31-35 will be answered within such time as provided by the Federal Rules of Civil Procedure or by Order of the Court.

WHEREFORE, Alice denies all allegations not specifically admitted and denies that CLS Bank is entitled to the relief sought or any relief whatsoever, and Alice prays that this Court enter judgment in its favor against CLS Bank, deny in its entirety the relief requested by CLS Bank, award Alice its costs of suit, and grant such other relief as this Court deems just and proper.

### **AFFIRMATIVE DEFENSES**

1. CLS Bank has failed to state a claim upon which relief can be granted.
2. CLS Bank has failed to join an indispensable party.
3. The case does not present a justiciable case or controversy.

### **COUNTER-CLAIM OF ALICE CORPORATION PTY. LTD.**

Counterclaim Plaintiff, ALICE CORPORATION PTY. LTD., by its undersigned counsel, alleges as follows:

### **The Parties**

1. Counterclaim Plaintiff Alice Corporation Pty. Ltd. (hereinafter "Alice") is a corporation organized and existing under the laws of Australia, having its principal place of business in Melbourne, Australia.

2. Upon information and belief, Counterclaim Defendant CLS Bank International (hereinafter “CLS Bank”) is an “Edge Act Corporation” organized under § 25A of the Federal Reserve Act, having its principal place of business at 39 Broadway, New York, New York.

3. Upon information and belief, Counterclaim Defendant CLS Services Ltd. (hereinafter “CLS Services”) is a private limited corporation organized under the laws of England and Wales and located in the United Kingdom.

4. Upon information and belief, CLS Bank and CLS Services are parties to a Master Services Agreement by which CLS Bank and CLS Services engage in infringing activities.

### **Jurisdiction and Venue**

5. This is an action for patent infringement arising under the patent laws of the United States, Title 35 of the United States Code. Accordingly, this Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a).

6. Venue is proper in the U.S. District Court for the District of Columbia pursuant to 28 U.S.C. §§ 1391(c) and 1400(b) and 35 U.S.C. § 293.

### **Factual Background**

7. On or about October 4, 2002, Alice’s counsel wrote to executives of CLS Bank, CLS Services and/or CLS Group Holdings AG (hereinafter “CLS Group”) advising of Alice’s U.S. Patent No. 5,970,479.

8. On or about March 6, 2003, in response to a request by CLS Bank’s counsel, Alice’s counsel offered patent licensing terms to CLS Bank, CLS Services and/or CLS Group.

9. On or about November 23, 2004, Alice’s Chairman and Chief Executive Officer met CLS Bank executives in New York to discuss Alice’s patent licensing offer.

10. On or about June 29, 2005, Alice’s counsel advised CLS Bank and/or CLS Services of Alice’s U.S. Patent No. 6,912,510.

11. On or about January 19, 2006, Alice's full Board and counsel participated in a telephone conference call with CLS Bank's/CLS Group's Chief Executive Officer, General Counsel and counsel, further discussing Alice's patent licensing offer.

12. On or about March 13, 2006, Alice provided CLS Bank, CLS Services and/or CLS Group with a draft license agreement.

13. On or about April 18, 2006, Alice's Chief Executive Officer, Chairman and counsel met with the Chief Executive Officer of CLS Bank/CLS Group, CLS Bank's General Counsel and CLS Bank's counsel in New York to further discuss Alice patent licensing matters, building upon the subject matter of their January 19, 2006 conference call.

14. On or about April 26, 2006, the Chief Executive Officer of Alice provided the Chief Executive Officer of CLS Bank/CLS Group a revised draft licensing agreement, incorporating changes to its March 13, 2006 proposal responding to concerns expressed by CLS Bank's/CLS Holdings AG's Chief Executive Officer on April 18, 2006.

15. On or about October 4, 2006, the Chief Executive Officer of CLS Bank/CLS Group met with the Chief Executive Officer of Alice in Melbourne, Australia, to further discuss Alice's patent licensing offer.

16. On or about December 14, 2006, Alice's counsel wrote to CLS Bank's counsel advising CLS Bank and/or CLS Services of Alice's U.S. Patent No. 7,149,720.

17. On or about February 7, 2007, the Chief Executive Officer of CLS Bank/CLS Group advised the Chief Executive Officer of Alice that his Board had formally rejected Alice's patent licensing offer.

18. Upon information and belief, CLS Bank and CLS Services are parties to a Master Services Agreement by which CLS Bank and CLS Services engage in infringing activities.

19. CLS Bank and CLS Services have deliberately continued their infringing activities despite knowledge of Alice's patents.

**Count I**

**(CLS Bank's Infringement of U.S. Patent No. 5,970,479)**

20. Alice repeats and re-alleges the allegations of paragraphs 1 through 19 of the Counterclaim as if fully set forth herein.

21. United States Patent 5,970,479 ("the '479 patent") for "Methods and Apparatus Relating to the Formulation and Trading of Risk Management Contracts," was duly and legally issued on October 19, 1999, to Ian K. Shepherd. A true and correct copy of the '479 patent is attached as Exhibit A.

22. The '479 patent has been in full force and effect since its issuance. Alice owns by assignment the entire right, title, and interest in and to the '479 patent, including the right to sue for past, present, and future infringements thereof.

23. Upon information and belief, CLS Bank has directly infringed, has induced others to infringe, and/or has committed acts of contributory infringement of one or more claims of the '479 patent in violation of 35 U.S.C. § 271, *et seq.* CLS Bank has committed acts of infringement by making, using, selling, and/or offering to sell products or services within the United States, or by importing products into the United States.

24. CLS Bank's activities have been without express or implied license by Alice.

25. As a result of the infringement of the '479 patent by CLS Bank, Alice has been damaged, and will be further damaged, and is entitled to be compensated for such damages pursuant to 35 U.S.C. § 284 in an amount that presently cannot be ascertained but that will be determined at trial.

26. Alice believes that CLS Bank's past infringement and/or continuing infringement has been deliberate and willful and that this case is therefore an exceptional case which warrants an award of treble damages and attorneys' fees to Alice in accordance with 35 U.S.C. § 285.

**Count II**

**(CLS Bank's Infringement of U.S. Patent No. 6,912,510)**

27. Alice repeats and re-alleges the allegations of paragraphs 1 through 26 of the Counterclaim as if fully set forth herein.

28. United States Patent 6,912,510 ("the '510 patent") for "Methods for Exchanging an Obligation" was duly and legally issued on June 28, 2005 to Ian K. Shepherd. A true and correct copy of the '510 patent is attached as Exhibit B.

29. The '510 patent has been in full force and effect since its issuance. Alice owns by assignment the entire right, title, and interest in and to the '510 patent, including the right to sue for past, present, and future infringements thereof.

30. Upon information and belief, CLS Bank has directly infringed, has induced others to infringe, and/or has committed acts of contributory infringement of one or more claims of the '510 patent in violation of 35 U.S.C. § 271, *et seq.* CLS Bank has committed acts of infringement by making, using, selling, and/or offering to sell products or services within the United States, or by importing products into the United States.

31. CLS Bank's activities have been without express or implied license by Alice.

32. As a result of the infringement of the '510 patent by CLS Bank, Alice has been damaged, and will be further damaged, and is entitled to be compensated for such damages pursuant to 35 U.S.C. § 284 in an amount that presently cannot be ascertained but that will be determined at trial.

33. Alice believes that CLS Bank's past infringement and/or continuing infringement has been deliberate and willful and that this case is therefore an exceptional case which warrants an award of treble damages and attorneys' fees to Alice in accordance with 35 U.S.C. § 285.

**Count III**

**(CLS Bank's Infringement of U.S. Patent No. 7,149,720)**

34. Alice repeats and re-alleges the allegations of paragraphs 1 through 33 of the Counterclaim as if fully set forth herein.



35. United States Patent 7,149,720 (“the ‘720 patent”) for “Systems for Exchanging an Obligation” was duly and legally issued on December 12, 2006 to Ian K. Shepherd. A true and correct copy of the ‘720 patent is attached as Exhibit C.

36. The ‘720 patent has been in full force and effect since its issuance. Alice owns by assignment the entire right, title, and interest in and to the ‘720 patent, including the right to sue for past, present, and future infringements thereof.

37. Upon information and belief, CLS Bank has directly infringed, has induced others to infringe, and/or has committed acts of contributory infringement of one or more claims of the ‘720 patent in violation of 35 U.S.C. § 271, *et seq.* CLS Bank has committed acts of infringement by making, using, selling, and/or offering to sell products or services within the United States, or by importing products into the United States.

38. CLS Bank’s activities have been without express or implied license by Alice.

39. As a result of the infringement of the ‘720 patent by CLS Bank, Alice has been damaged, and will be further damaged, and is entitled to be compensated for such damages pursuant to 35 U.S.C. § 284 in an amount that presently cannot be ascertained, but that will be determined at trial.

40. Alice believes that CLS Bank’s past infringement and/or continuing infringement has been deliberate and willful and that this case is therefore an exceptional case which warrants an award of treble damages and attorneys’ fees to Alice in accordance with 35 U.S.C. § 285.

#### **Count IV**

##### **(CLS Services’ Infringement of U.S. Patent No. 5,970,479)**

41. Alice repeats and re-alleges the allegations of paragraphs 1 through 40 of the Counterclaim as if fully set forth herein.

42. United States Patent 5,970,479 (“the ‘479 patent”) for “Methods and Apparatus Relating to the Formulation and Trading of Risk Management Contracts” was duly and legally issued on October 19, 1999 to Ian K. Shepherd. A true and correct copy of the ‘479 patent is attached as Exhibit A.

43. The '479 patent has been in full force and effect since its issuance. Alice owns by assignment the entire right, title, and interest in and to the '479 patent, including the right to sue for past, present, and future infringements thereof.

44. Upon information and belief, CLS Services has directly infringed, has induced others to infringe, and/or has committed acts of contributory infringement of one or more claims of the '479 patent in violation of 35 U.S.C. § 271, *et seq.* CLS Services has committed acts of infringement by making, using, selling, and/or offering to sell products or services within the United States, or by importing products into the United States.

45. CLS Services's activities have been without express or implied license by Alice.

46. As a result of the infringement of the '479 patent by CLS Services, Alice has been damaged, and will be further damaged, and is entitled to be compensated for such damages pursuant to 35 U.S.C. § 284 in an amount that presently cannot be ascertained but that will be determined at trial.

47. Alice believes that each CLS Services's past infringement and/or continuing infringement has been deliberate and willful and that this case is therefore an exceptional case which warrants an award of treble damages and attorneys' fees to Alice in accordance with 35 U.S.C. § 285.

#### **Count V**

##### **(CLS Services' Infringement of U.S. Patent No. 6,912,510)**

48. Alice repeats and re-alleges the allegations of paragraphs 1 through 47 of the Counter-claim as if fully set forth herein.

49. United States Patent 6,912,510 ("the '510 patent") for "Methods for Exchanging an Obligation" was duly and legally issued on June 28, 2005 to Ian K. Shepherd. A true and correct copy of the '510 patent is attached as Exhibit B.

50. The '510 patent has been in full force and effect since its issuance. Alice owns by assignment the entire right, title, and interest in and to the '510 patent, including the right to sue for past, present, and future infringements thereof.

51. Upon information and belief, CLS Services has directly infringed, has induced others to infringe, and/or has committed acts of contributory infringement of one or more claims of the '510 patent in violation of 35 U.S.C. § 271, *et seq.* CLS Services has committed acts of infringement by making, using, selling, and/or offering to sell products or services within the United States, or by importing products into the United States.

52. CLS Services's activities have been without express or implied license by Alice.

53. As a result of the infringement of the '510 patent by CLS Services, Alice has been damaged, and will be further damaged, and is entitled to be compensated for such damages pursuant to 35 U.S.C. § 284 in an amount that presently cannot be ascertained but that will be determined at trial.

54. Alice believes that CLS Services's past infringement and/or continuing infringement has been deliberate and willful and that this case is therefore an exceptional case which warrants an award of treble damages and attorneys' fees to Alice in accordance with 35 U.S.C. § 285.

#### **Count VI**

##### **(CLS Services' Infringement of U.S. Patent No. 7,149,720)**

55. Alice repeats and re-alleges the allegations of paragraphs 1 through 54 of the Counter-claim as if fully set forth herein.

56. United States Patent 7,149,720 ("the '720 patent") for "Systems for Exchanging an Obligation" was duly and legally issued on December 12, 2006 to Ian K. Shepherd. A true and correct copy of the '720 patent is attached as Exhibit C.

57. The '720 patent has been in full force and effect since its issuance. Alice owns by assignment the entire right, title, and interest in and to the '720 patent, including the right to sue for past, present, and future infringements thereof.

58. Upon information and belief, CLS Services has directly infringed, has induced others to infringe, and/or has committed acts of contributory infringement of one or more claims of the '720 patent in violation of 35 U.S.C. § 271, *et seq.* CLS Services has committed acts of

infringement by making, using, selling, and/or offering to sell products or services within the United States, or by importing products into the United States.

59. CLS Services's activities have been without express or implied license by Alice.

60. As a result of the infringement of the '720 patent by CLS Services, Alice has been damaged, and will be further damaged, and is entitled to be compensated for such damages pursuant to 35 U.S.C. § 284 in an amount that presently cannot be ascertained but that will be determined at trial.

61. Alice believes that CLS Services's past infringement and/or continuing infringement has been deliberate and willful and that this case is therefore an exceptional case which warrants an award of treble damages and attorneys' fees to Alice in accordance with 35 U.S.C. § 285.

**Prayer for Relief**

WHEREFORE, Counterclaim Plaintiff Alice requests that this Court:

A. Enter judgment declaring that CLS Bank and CLS Services have infringed U.S. Patent No. 5,970,479; U.S. Patent No. 6,912,510 and U.S. Patent No. 7,149,720.

B. Award Alice damages pursuant to 35 U.S.C. § 284 adequate to compensate it for CLS Bank's and CLS Services's infringement, including an increase in the damages up to three times the amount found or assessed, plus interest and costs.

C. Enter judgment pursuant to 35 U.S.C. § 285 making this case exceptional and awarding Alice their attorney's fees, costs, and expenses.

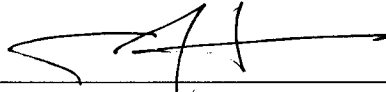
D. Award such other and further relief as may be just and proper under the circumstances.

Dated: August 16, 2007

Respectfully submitted,

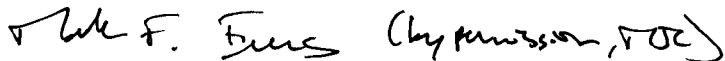
ALICE CORPORATION PTY. LTD.,

By its attorneys,



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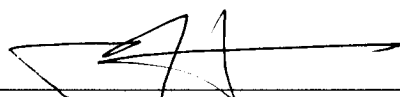
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**CERTIFICATE OF SERVICE**

I hereby certify that on this 16<sup>th</sup> day of August, 2007, a copy of ANSWER AND COUNTERCLAIM OF DEFENDANT ALICE CORPORATION PTY. LTD. was served upon the following by electronic means through ECF:

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M. Jesse Carlson