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9
10 Attorneys for Defendants and
Counterclaimants INCASE DESIGNS, INC.,
11 BEST BUY CO. INC., BESTBUY.COM
12 LLC and BEST BUY STORES LP

13 **UNITED STATES DISTRICT COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**
15 **OAKLAND DIVISION**

16 TECHSHELL INC.,

17 Plaintiff,

18 v.

19 INCASE DESIGNS, INC. et al,

20 Defendants.
21
22

Case No. 4-11-cv-04576-YGR

**DEFENDANT INCASE DESIGNS
CORPORATION'S FIRST AMENDED
ANSWER TO COMPLAINT AND
COUNTERCLAIMS**

1 COMES NOW, Defendant, INCASE DESIGNS CORPORATION (hereinafter "Defendant
2 INCASE") by and through undersigned counsel, hereby answers the allegations in the Complaint
3 as follows:

4 **INTRODUCTION**

5 1. Defendant INCASE admits that the complaint purports to state a claim for patent
6 infringement.
7

8 **THE PARTIES**

9 2. Defendant INCASE is without sufficient information to form a conclusion as to the
10 truth of the allegations of paragraph 2 of the Complaint and therefore denies the same.

11 3. Defendant INCASE admits that it is a California corporation, and denies the
12 remaining allegations of paragraph 3 of the Complaint.
13

14 **JURISDICTION AND VENUE**

15 4. Defendant INCASE admits that the court has subject matter jurisdiction over the
16 claims for patent infringement.

17 5. Denied.

18 6. Denied.

19 **COUNT ONE: PATENT INFRINGEMENT**
20 **(U.S. Patent No. 7,643,274)**

21 7. Defendant INCASE re-alleges and incorporates by reference all preceding
22 paragraphs.

23 8. Defendant INCASE admits that a copy of U.S. Patent No. 7,643,274 entitled
24 "Protective Cover for Laptop Computer" ("the '274 Patent") was attached as Exhibit A to the
25 Complaint. Except as expressly admitted, Defendant INCASE denies the remaining allegations
26 contained in Paragraph 8 of the Complaint.
27
28

1 9. Defendant INCASE is without sufficient information to form a conclusion as to the
2 truth of the allegations of paragraph 9 of the Complaint and therefore denies the same.

3 10. Denied.

4 11. Defendant INCASE is without sufficient information to form a conclusion as to the
5 truth of the allegations of paragraph 11 of the Complaint and therefore denies the same.

6 12. Denied.

7 13. Denied.

8 14. Defendant INCASE admits that it sells protective covers for laptop computers.
9
10 Except as expressly admitted herein, Defendant INCASE is without sufficient information to form
11 a conclusion as to the truth of the allegations of paragraph 14 of the Complaint and therefore
12 denies the same.

13 15. Defendant INCASE admits that it sells protective covers for laptop computers.
14
15 Except as expressly admitted herein, Defendant INCASE is without sufficient information to form
16 a conclusion as to the truth of the allegations of paragraph 15 of the Complaint and therefore
17 denies the same.

18 16. Defendant INCASE admits that it sells protective covers for laptop computers.
19
20 Except as expressly admitted herein, Defendant is without sufficient information to form a
21 conclusion as to the truth of the allegations of paragraph 16 of the Complaint and therefore denies
22 the same.

23 17. Defendant INCASE admits that it sells protective covers for laptop computers.
24
25 Except as expressly admitted herein, Defendant is without sufficient information to form a
26 conclusion as to the truth of the allegations of paragraph 17 of the Complaint and therefore denies
27 the same.
28

1 18. Defendant INCASE admits that it sells protective covers for laptop computers.
2 Except as expressly admitted herein, Defendant is without sufficient information to form a
3 conclusion as to the truth of the allegations of paragraph 18 of the Complaint and therefore denies
4 the same.

5 19. Defendant INCASE admits that it sells protective covers for laptop computers.
6 Except as expressly admitted herein, Defendant is without sufficient information to form a
7 conclusion as to the truth of the allegations of paragraph 19 of the Complaint and therefore denies
8 the same.
9

10 20. Defendant INCASE admits that it sells protective covers for laptop computers.
11 Except as expressly admitted herein, Defendant is without sufficient information to form a
12 conclusion as to the truth of the allegations of paragraph 19 of the Complaint and therefore denies
13 the same.
14

15 21. Admitted.

16 22. Denied.

17 23. Denied.

18 24. Denied.

19 **COUNT TWO: PATENT INFRINGEMENT**
20 **(U.S. Patent No. 7,907,400)**

21 25. Defendant INCASE re-alleges and incorporates by reference all preceding
22 paragraphs.

23 26. Defendant INCASE admits that a copy of U.S. Patent No. 7,907,400 entitled
24 "Protective Cover for Laptop Computer" ("the "400 Patent") was attached as Exhibit C to the
25 Complaint. Except as expressly admitted, Defendant INCASE denies the remaining allegations
26 contained in Paragraph 26 of the Complaint.
27
28

1 27. Defendant INCASE is without sufficient information to form a conclusion as to the
2 truth of the allegations of paragraph 27 of the Complaint and therefore denies the same.

3 28. Denied.

4 29. Defendant INCASE is without sufficient information to form a conclusion as to the
5 truth of the allegations of paragraph 29 of the Complaint and therefore denies the same.

6 30. Denied.

7 31. Denied.

8 32. Defendant INCASE admits that it sells protective covers for laptop computers.
9 Except as expressly admitted herein, Defendant INCASE is without sufficient information to form
10 a conclusion as to the truth of the allegations of paragraph 32 of the Complaint and therefore
11 denies the same.
12

13 33. Defendant INCASE admits that it sells protective covers for laptop computers.
14 Except as expressly admitted herein, Defendant INCASE is without sufficient information to form
15 a conclusion as to the truth of the allegations of paragraph 33 of the Complaint and therefore
16 denies the same.
17

18 34. Defendant INCASE admits that it sells protective covers for laptop computers.
19 Except as expressly admitted herein, Defendant is without sufficient information to form a
20 conclusion as to the truth of the allegations of paragraph 34 of the Complaint and therefore denies
21 the same.
22

23 35. Defendant INCASE admits that it sells protective covers for laptop computers.
24 Except as expressly admitted herein, Defendant is without sufficient information to form a
25 conclusion as to the truth of the allegations of paragraph 35 of the Complaint and therefore denies
26 the same.
27
28

1 36. Defendant INCASE admits that it sells protective covers for laptop computers.
2 Except as expressly admitted herein, Defendant is without sufficient information to form a
3 conclusion as to the truth of the allegations of paragraph 36 of the Complaint and therefore denies
4 the same.

5 37. Defendant INCASE admits that it sells protective covers for laptop computers.
6 Except as expressly admitted herein, Defendant is without sufficient information to form a
7 conclusion as to the truth of the allegations of paragraph 37 of the Complaint and therefore denies
8 the same.

9 38. Defendant INCASE admits that it sells protective covers for laptop computers.
10 Except as expressly admitted herein, Defendant is without sufficient information to form a
11 conclusion as to the truth of the allegations of paragraph 38 of the Complaint and therefore denies
12 the same.

13 39. Defendant INCASE admits that it sells protective covers for laptop computers.
14 Except as expressly admitted herein, Defendant is without sufficient information to form a
15 conclusion as to the truth of the allegations of paragraph 39 of the Complaint and therefore denies
16 the same.

17 40. Defendant INCASE admits that it sells protective covers for laptop computers.
18 Except as expressly admitted herein, Defendant is without sufficient information to form a
19 conclusion as to the truth of the allegations of paragraph 40 of the Complaint and therefore denies
20 the same.

21 41. Defendant INCASE admits that it sells protective covers for laptop computers.
22 Except as expressly admitted herein, Defendant is without sufficient information to form a
23 conclusion as to the truth of the allegations of paragraph 41 of the Complaint and therefore denies
24 the same.

1 42. Defendant INCASE admits that it sells protective covers for laptop computers.
2 Except as expressly admitted herein, Defendant is without sufficient information to form a
3 conclusion as to the truth of the allegations of paragraph 42 of the Complaint and therefore denies
4 the same.

5 43. Admitted.

6 44. Denied.

7 45. Denied.

8 46. Denied.

9
10 **AFFIRMATIVE DEFENSES**

11 Defendant INCASE asserts the following affirmative defenses to Plaintiff's claims.

12 **FIRST AFFIRMATIVE DEFENSE**
13 **(Patent Invalidity)**

14 One or more claims of the '274 and '400 Patents are invalid under 35 U.S.C. §§ 101, 102,
15 103, and/or 112.

16 **SECOND AFFIRMATIVE DEFENSE**
17 **(Non-Infringement)**

18 One or more claims of the '274 and '400 Patents are not infringed.

19 **THIRD AFFIRMATIVE DEFENSE**
20 **(Limitation on Damages Based on Failure to Mark)**

21 Plaintiff's claim for damages is barred, in whole or in part, by a failure to satisfy the
22 requirements of 35 U.S.C. § 287(a).

23 **FORTH AFFIRMATIVE DEFENSE**
24 **(Limitation on Costs)**

25 Plaintiff is precluded from recovering costs under the provisions of 35 U.S.C. § 288.

26 **FIFTH AFFIRMATIVE DEFENSE**
27 **(Inequitable Conduct / Unclean Hands)**

28 The '274 and '400 patents are invalid and unenforceable by reason of the inequitable

1 conduct and unclean hands of at least Haile Bekele (“Bekele”), Techshell’s sole owner and the
2 named inventor for the patents-in-suit, and his patent prosecution counsel Mark Terry. As stated in
3 more detail hereafter, Bekele submitted a fraudulent affidavit to the PTO in support of the
4 patentability of his alleged invention with the intent to deceive the PTO.

5
6 Bekele filed for a utility patent on his alleged invention on April 19, 2007. But the PTO
7 rejected all claims as being obvious in light of a patent by Kumar, which disclosed a two-piece
8 laptop cover with a “hinge,” in an office action dated February 5, 2009.

9 In response, Bekele and Attorney Terry then submitted an affidavit from Bekele to the PTO
10 to establish that his alleged invention was not obvious due to ample and compelling evidence of
11 “secondary considerations of nonobviousness,” such as long felt need, commercial success, and
12 copying by others. For example, he declared that he was aware of a long felt need for the alleged
13 invention because he was a computer and software engineer who had worked in the computer and
14 software industry since 1996. And he described the commercial success of his product and his
15 company, which he asserted was a “well-known manufacturer and distributor” that sold tens of
16 thousands of the product every year.

17
18 Attorney Terry then prepared and submitted a response to the PTO’s office action on May
19 5, 2009 that was based on Bekele affidavit. Attorney Terry presented lengthy argument on why
20 the alleged invention was not obvious in light of Kumar based on secondary considerations of
21 nonobviousness, such as long felt need, commercial success, and copying by others. For example,
22 Terry cited the “large number of products sold” and the “sizable sales figures” as evidence of
23 commercial success that was “directly derived from the invention claimed.”

24
25 The PTO Examiner allowed the claims following Bekele’s submission of his affidavit and
26 Attorney Terry’s extensive arguments based on that affidavit. Consequently, the ‘274 Patent then
27 issued on January 5, 2010. Subsequently, Bekele’s company Techshell then filed suit against
28

1 Incase, asserting both the '274 patent and the '400 patent, a continuation of the '274 Patent.
 2 Shortly thereafter, Techshell sued Incase's customer, Best Buy.

3 The parties engaged in discovery, and Bekele was deposed on June 21, 2012. And, based
 4 on that deposition and subsequent investigation, Incase has determined that Bekele's affidavit was
 5 demonstrably false in at least the following ways:
 6

Statements from Bekele's False Affidavit	The Truth				
I am a computer and software engineer	Bekele graduated from college with a marketing degree				
I [have worked] in the computer and software industry since 1996.	Bekele was in high school in 1996. He had never worked in the "computer and software industry." Rather, he owned and operated (and still owns and operates) retail kiosks and stores in malls in Santa Rosa, California and Pensacola, Florida				
Since at least 1996[,] I recognized that there was a long felt need for a semi-rigid laptop cover consisting of two separate plastic elements . . . and being quick and easy to attach to the laptop.	Bekele didn't own a laptop in 1996. He purchased an Apple PowerBook laptop late 2005 or early 2006 and, only thereafter, determined that there was a need for a cover it to protect it from damage.				
TECH SHELL, INC. has since [2006] developed into a well-known manufacturer and distributor of high quality laptop covers throughout the State of Florida and the United States.	Bekele's three-person company was unknown in the industry, and had only negligible distribution of the product.				
During its 3 years of existence, TECH SHELL, INC. has grown into one of the largest distributors of laptop covers in the United States.	Bekele's three-person company was unknown in the industry, and had only negligible distribution of the product.				
TECH SHELL, INC. now offers a total of 10 different styles and types of laptop covers.	At most, Bekele's company made and sold only three of four different laptop covers				
Servicing the State of Florida and the United States, TECH SHELL, INC. sells over 40,000 laptop covers every year.	<p>Bekele couldn't quantify how many laptop covers he sold every year, but he admitted that the number was not "40,000." In fact, it was far less. Based on information provided by Bekele's deposition testimony, it appears that the total number of units sold each year as of the date that his affidavit was signed was approximately:</p> <table border="1" data-bbox="938 1837 1383 1900"> <thead> <tr> <th data-bbox="938 1837 1166 1879">Year</th> <th data-bbox="1166 1837 1383 1879">Units Sold</th> </tr> </thead> <tbody> <tr> <td data-bbox="938 1879 1166 1900">2006</td> <td data-bbox="1166 1879 1383 1900">Zero</td> </tr> </tbody> </table>	Year	Units Sold	2006	Zero
Year	Units Sold				
2006	Zero				

	<table border="1"> <tr> <td>2007</td> <td>1850</td> </tr> <tr> <td>2008</td> <td>1650</td> </tr> <tr> <td>2009</td> <td>98 (prorated)</td> </tr> </table>	2007	1850	2008	1650	2009	98 (prorated)				
2007	1850										
2008	1650										
2009	98 (prorated)										
TECH SHELL, INC. laptop covers were first released into the computer accessory market in May 2006	Bekele attempted to launch his product in 2006 but he was unable to do so and had no sales of the product that year. His first sales were in 2007.										
TECH SHELL, INC. was the first company to release into the computer accessory market a semi-rigid laptop cover consisting of two separate plastic elements.	Techshell was not the first company to enter the market. Rather, an established manufacturer of covers and cases for electronic products – Speck – was actually selling its two piece “snap on” laptop cover as of October 2006.										
TECH SHELL, INC. laptop covers have developed a growing and loyal following through the years, as evidenced by the sheer number of products it sells each year: approximately 40,000 are sold each year.	<p>Bekele couldn't quantify how many laptop covers he sold every year, but he admitted that the number was not “40,000.” In fact, it was far less. Based on information provided by Bekele's deposition testimony, it appears that the total number of units sold each year as of the date that his affidavit was signed was approximately:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Units Sold</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>Zero</td> </tr> <tr> <td>2007</td> <td>1850</td> </tr> <tr> <td>2008</td> <td>1650</td> </tr> <tr> <td>2009</td> <td>98 (prorated)</td> </tr> </tbody> </table> <p>And, as shown above, he had no basis for asserting that his product had a “growing and loyal following” as of the date that his affidavit was signed.</p>	Year	Units Sold	2006	Zero	2007	1850	2008	1650	2009	98 (prorated)
Year	Units Sold										
2006	Zero										
2007	1850										
2008	1650										
2009	98 (prorated)										
TECH SHELL INC. has a customer base of over 30,000 separate customers.	Bekele couldn't quantify how many customers he had as of the date of his affidavit, but he admitted that the number was not “30,000.” In fact, it was far less. Based on information provided by Bekele's deposition testimony, it appears that the total number of customers was approximately 3,500 as of the date that his affidavit was signed.										
TECH SHELL INC. further maintains a steadily growing market presence as evidenced by its current plans to manufacture and produce two additional types of laptop covers.	To the extent that Bekele's company ever had a “market presence,” it was in no sense “steadily growing” as of the date that his affidavit was signed. And Bekele had no plans to “manufacture and produce two additional types of laptop covers.”										

1		
2	TECH SHELL, INC. estimates a 15% market share of the semi-rigid laptop cover (consisting of two separate plastic elements) industry.	Bekele couldn't quantify his company's market share of the date of his affidavit, but he admitted that the number was not "15%." In fact, his company appears to have had little or no "market share" as of the date that his affidavit was signed.
3		
4		
5	[S]ales of TECH SHELL, INC. laptop covers have averaged more than \$300,000 [in annual sales]	Bekele's company did not average "more than \$300,000" in sales per year since 2006. In fact, it was far less.
6		
7	[S]hortly after the first release of a product by TECH SHELL, INC., competitor copies of TECH SHELL, INC. laptop covers began entering the computer accessory market. Examples of such copies [include] the SeeThru laptop cover released by Speck, Inc. in November 2006 . . .	Bekele's product was first sold <i>after</i> Speck's product. And Bekele had no evidence that Speck or anyone else in the two piece "snap-on" laptop cover industry, knew about, and much less copied, his product.
8		
9		
10		
11		
12	Since 2007 additional competitors have started manufacturing and selling copies of TECH SHELL, INC. laptop covers into computer accessory market. Examples of such later copies [include] . . . the 13" Hardshell Case laptop cover released by Incase, Inc. . . .	Bekele had no evidence that Incase or anyone else in the industry, knew about, and much less copied, his product.
13		
14		
15		

16

17 As noted, these falsities only recently came to light following Bekele's deposition, when he

18 finally admitted that his affidavit was untrue. Bekele's statements were intended to deceive the

19 PTO and were both material-in-fact and as a matter of law. *Therasense, Inc. v. Becton, Dickinson*

20 *and Co.*, 649 F. 3d 1276 (Fed. Cir. 2011) ("When the patentee has engaged in affirmative acts of

21 egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is

22 material.") *and Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1571 (Fed.Cir.1983)

23 ("there is no room to argue that submission of false affidavits is not material.").

24

25 Moreover, the most reasonable inference is that Attorney Terry also intended to deceive the

26 PTO on his client's behalf. Indeed, it would be unreasonable to infer that he acted otherwise in

27 light of the clear difference between the real facts of his client's situation and those contained in the

28 false affidavit. In fact, Bekele testified in his recent deposition that was Attorney Terry – and not

1 himself – who was the source of the false affidavit and that that it was Attorney Terry who had
2 asked Bekele to sign an affidavit that was false. Regardless, the ‘273 and ‘400 patents are invalid
3 and unenforceable due to inequitable conduct and unclean hands.

4
5 **COUNTERCLAIMS**

6 For its counterclaims, Defendant INCASE alleges as follows:

7 1. Defendant INCASE manufactures, sells, and offers for sale, protective covers for
8 laptop computers.

9 2. Plaintiff alleges that Defendant INCASE's protective covers infringe the ‘274 and
10 ‘400 patents and that, as the owner of these patents, it is entitled to damages. Defendant INCASE
11 denies these allegations and contends that the protective covers sold by Defendant INCASE do not
12 infringe any valid claim of the ‘274 or ‘400 patents.

13 3. A justiciable controversy exists between Plaintiff and Defendant INCASE regarding
14 the ‘274 and ‘400 patents and a judicial declaration is necessary to establish the rights and duties of
15 the parties with respect to the ‘274 and ‘400 patents.

16 4. The counterclaims arise under the Patent Laws, Title 35 of the United States Code.
17 Therefore, the Court has subject matter jurisdiction pursuant to 28 U.S.C. §§1331, 1338(a), and
18 §2201 *et seq.* The Court has personal jurisdiction over Plaintiff.
19

20 **COUNT I - Declaratory Judgment of Non-Infringement**

21 5. Defendant INCASE incorporates and realleges paragraphs 1-4 of these
22 counterclaims.

23 6. The protective covers manufactured, sold, and offered for sale by Defendant
24 INCASE do not infringe the claims of the ‘274 and ‘400 patents.
25
26
27
28

1 7. A judicial declaration of non-infringement is necessary in order to establish
2 INCASE’s right to manufacture, sell, and offer for sale its protective covers free of any claim of
3 infringement.

4 **COUNT II - Declaratory Judgment of Invalidity**

5 8. Defendant INCASE incorporates and realleges paragraphs 1-4 of these
6 counterclaims.

7 9. Upon information and belief, the claims of the ‘274 and ‘400 Patents are invalid
8 under 35 U.S.C. §§ 102, 103, and/or 112.
9

10 10. Upon information and belief, the claims of the ‘274 and ‘400 Patents are invalid due
11 to inequitable conduct and unclean hands as stated in Defendant INCASE’s Fifth Affirmative
12 Defense.

13 11. A judicial declaration of invalidity is necessary to establish Defendant INCASE’s
14 right to manufacture, sell, and offer for sale its protective covers free of any claim of infringement.
15

16 **COUNT III - Declaratory Judgment of Unenforceability**

17 12. Defendant INCASE incorporates and realleges paragraphs 1-4 of these
18 counterclaims.

19 13. Upon information and belief, the claims of the ‘274 and ‘400 Patents are
20 unenforceable due to inequitable conduct and unclean hands as stated in Defendant INCASE’s
21 Fifth Affirmative Defense.

22 14. A judicial declaration of unenforceability is necessary to establish Defendant
23 INCASE’s right to manufacture, sell, and offer for sale its protective covers free of any claim of
24 infringement.
25

26 **PRAYER FOR RELIEF**

27 WHEREFORE, Defendant INCASE requests that the Court award the following relief:
28

- 1 1. Enter judgment in favor of Defendant INCASE and against Plaintiff on all claims in
2 the Complaint;
- 3 2. Declare that Defendant INCASE has not infringed the '274 and '400 patents or any
4 valid asserted claim therein;
- 5 3. Declare that the '274 and '400 patents, or some or all of the claims therein, are
6 invalid;
- 7 4. Declare that the '274 and '400 patents are unenforceable;
- 8 5. Enjoin Plaintiff, its assigns, and all those in privity therewith from asserting the
9 '274 and '400 patents against Defendant INCASE or any of its customers or suppliers;
10
- 11 6. Find this case an exceptional case and award Defendant INCASE attorneys' fees
12 and costs (including expert fees) under 35 U.S.C. § 285; and
- 13 7. Grant such other and further relief as the Court deems just and proper.
14

15 **DEMAND FOR JURY TRIAL**

16 Defendant INCASE demands a trial by jury of any and all issues triable as of right by a
17 jury in this action.

18 Dated: July 27, 2012

19 Respectfully submitted,

20 */s/ Brian E. Mitchell*

21 Brian E. Mitchell
22 MITCHELL + COMPANY
23 4 Embarcadero Center, Suite 1400
24 San Francisco, CA 94111
25 Attorneys for Defendants
26
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