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17 ACCELERATION BAY LLC

18 **IN THE UNITED STATES DISTRICT COURT**  
19 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**  
20 **OAKLAND DIVISION**

21 EPIC GAMES, INC., a Maryland Corporation,

22 Plaintiff,

23 v.

24 ACCELERATION BAY LLC, a Delaware  
25 Corporation,

26 Defendant.

Case No.: 4:19-cv-04133-YGR

**ACCELERATION BAY, LLC'S NOTICE  
OF MOTION AND MOTION TO STRIKE  
EPIC GAMES, INC.'S  
COUNTERCLAIMS-IN-REPLY**

Date: February 11, 2020  
Time: 2:00 pm  
Courtroom: 1, 4th Floor  
Judge: Hon. Yvonne Gonzalez Rogers

1 **NOTICE OF MOTION**

2 **TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:**

3 **NOTICE IS HEREBY GIVEN** that on February 11, 2020, at 2:00 p.m., or as soon thereafter  
4 as counsel may be heard by the Honorable Yvonne Gonzalez Rogers in Courtroom 1, 4th Floor,  
5 United States District Court of California, 1301 Clay Street, Oakland, CA 94612, Defendant and  
6 Counterclaim-Plaintiff Acceleration Bay, LLC will and hereby does move the court for an order  
7 granting Acceleration Bay’s Motion to Strike Epic Games, Inc.’s Counterclaims-in-Reply.

8 This motion is based on this Notice of Motion, the following Memorandum of Points and  
9 Authorities, the proposed order submitted herewith, the pleadings and papers on file in this action, any  
10 evidence and argument presented to the Court at or before the hearing on this motion, and all matters  
11 of which the Court may take judicial notice.

12 **I. INTRODUCTION**

13 The Court should strike Epic Games’ invalidity counterclaims-in-reply because they are, in  
14 reality, affirmative invalidity claims that could and should have been asserted in Epic Games’  
15 Complaint. This is a critical distinction because if Epic Games had properly plead invalidity in its  
16 declaratory judgment Complaint, 35 U.S.C. § 315 would bar Epic Games from filing a petition for  
17 *inter partes* review (IPR) of the validity of those claims.

18 Epic Games cannot have it both ways. It chose to file a declaratory judgment action. Now,  
19 under the Congressional scheme for IPRs, Epic Games must decide to limit this case to infringement  
20 or pursue an affirmative invalidity claim in this case and waive the right to also file an IPR.  
21 Accordingly, the Court should either strike Epic Games’ invalidity counterclaims (with leave to refile  
22 as affirmative invalidity claims in an amended complaint) or deem the invalidity counterclaims as  
23 affirmative claims.

24 **II. BACKGROUND**

25 This is a straightforward declaratory judgment case. In July 2019, Epic Games filed a  
26 complaint for declaratory judgment of non-infringement U.S. Patent Nos. 6,701,344, 6,714,966,  
27 6,829,634, 6,732,147, 6,910,069, 6,920,497, and 7,412,537. Dkt. 1, Complaint ¶¶ 79, 97, 117, 133,  
28 152, 170, 181. Epic Games chose not to include any claims for invalidity in the Complaint,

1 presumably to avoid triggering the IPR bar of 35 U.S.C. § 315.

2 Acceleration Bay answered the complaint, denying non-infringement and asserting compulsory  
3 counterclaims of infringement as to specific claims of six of the seven patents that Epic Games  
4 included in the complaint: U.S. Patent Nos. 6,701,344, 6,714,966, 6,829,634, 6,732,147, 6,910,069,  
5 and 6,920,497 (collectively, the “Asserted Patents”). Dkt. 41, Counterclaim ¶¶ 17–61. Thus,  
6 Acceleration Bay did not inject any new patents, claims or infringement issues in the case. To the  
7 contrary, its infringement counterclaims were only a small subset of the non-infringement claims Epic  
8 Games asserted in its complaint.

9 Epic Games answered Acceleration Bay’s counterclaims. In its answer, Epic Games included  
10 six purported “counterclaims-in-reply” seeking a declaratory judgment of invalidity for each of the  
11 Asserted Patents (the “Invalidity Counterclaims-in-Reply”). Dkt. 45, Counterclaim in Reply ¶¶ 18–  
12 93. The Invalidity Counterclaims-in-Reply are not directed to any new material in Acceleration Bay’s  
13 Counterclaims, and Epic Games could have included them as affirmative claims in its complaint.

14 **III. EPIC GAMES’ INVALIDITY COUNTERCLAIMS-IN-REPLY ARE IN FACT**  
15 **AFFIRMATIVE INVALIDITY CLAIMS AND SHOULD BE CHARACTERIZED**  
16 **AS SUCH**

17 Epic Games is attempting to make an end-run around the Congressional scheme for IPRs. In  
18 creating IPRs and balancing the rights of patent owners and accused infringers and attempting to  
19 conserve the resources of the courts, the USPTO and litigants, Congress struck a balance. Under 35  
20 U.S.C. § 315, “[a]n *inter partes* review may not be instituted if, *before the date on which the petition*  
21 *for such a review is filed, the petitioner or real party in interest filed a civil action challenging the*  
22 *validity of a claim of the patent.”* 35 U.S.C. § 315(a)(1) (2018) (emphasis added). The purpose of this  
23 provision is to “bar a party from seeking or maintaining [an *inter partes*] review if [the party] has  
24 sought declaratory judgment that [a] patent is invalid.” 157 Cong. Rec. S1375 (daily ed. March 8,  
25 2011) (Statement of Sen. Leahy).

26 There is no dispute that Epic Games “filed a civil action” within the meaning of Section  
27 315(a)(1). A “civil action” merely refers to a claim in a federal court instituted by a complaint. Fed.  
28 R. Civ. P. 3 (“A civil action is commenced by filing a complaint with the court.”); *see also* Fed. R.  
Civ. P. 2 (“There is one form of action—the civil action.”). There is also no dispute that Epic Games

1 “filed a civil action” containing claims challenging the validity of the Asserted Patents. Therefore,  
2 Epic Games should not be permitted to pursue parallel claims of invalidity in an IPR.

3 Epic Games appears to be attempting to evade this statutory scheme by withholding its  
4 invalidity claims from its complaint and characterizing them as Counterclaims-in-Reply. The Court  
5 should not permit Epic Games to rely on this distinction without a difference. This Court has long  
6 recognized that that counterclaims-in-reply that could have been asserted in a complaint, to the extent  
7 even permitted, are deemed effectively claims asserted in the complaint. *Fujitsu Ltd. v. Nanya Tech.*  
8 *Corp.*, No. C 06-6613 CW, 2007 U.S. Dist. LEXIS 44386, at \*2 (N.D. Ca. June 6, 2007) (requiring  
9 Fujitsu to amend its complaint to add its counterclaims-in-reply as causes of actions in its complaint);  
10 *Electroglas, Inc. v. Dynatex Corp.*, 473 F. Supp. 1167, 1171 (N.D. Cal. 1979) (Counterclaims in  
11 reply are treated “as an amendment to the complaint.”).

12 Other courts similarly treat counterclaims-in-reply as claims asserted in the complaint. *See,*  
13 *e.g., Century Pac., Inc. v. Hilton Hotels Corp.*, 528 F. Supp. 2d 206, 213 n.3 (S.D.N.Y. 2007) (“[A]  
14 reply counterclaim is to be treated as a motion to amend the complaint under Rule 15(a)”);  
15 *Southeastern Indus. Tire Co., Inc., v. Duraprene Corp.*, 70 F.R.D. 585, 588 (E.D. Pa. 1976)  
16 (“counterclaim in reply [treated] as an amendment to the complaint”); *Heath v. Audatex N. Am., Inc.*,  
17 2012 WL 177413, at \*3 (E.D. Pa. Jan. 23, 2012) (“Rather than require Heath to file an amended  
18 answer to Audatex’s counterclaim, however, I will simply construe Heath's motion for leave to file a  
19 counterclaim as a motion to amend the Complaint.”).

20 There is no reason Epic Games could not have asserted its Invalidity Counterclaims-in-Reply  
21 in its complaint and there is nothing new in Acceleration Bay’s counterclaims beyond the infringement  
22 issues Epic Games already raised in its declaratory judgment complaint. Accordingly, the Court  
23 should either strike the Invalidity Counterclaims-in-Reply (with Epic Games having leave to include  
24 them in an amended complaint should it chose to do so) or reclassify them as affirmative claims in the  
25 complaint, including for purposes of 35 U.S.C. § 315. To do otherwise would permit Epic Games and  
26 any other patent infringer who files a declaratory judgment action to sidestep the choice imposed by  
27 Congress and pursue invalidity in both a declaratory judgment action and an IPR, frustrating  
28 Congress’ plain intent.

1 **IV. CONCLUSION**

2 For the reasons set forth above, Acceleration Bay respectfully requests that the Court strike  
3 Epic Games' Invalidation Counterclaims-in-Reply without prejudice in order to be reasserted as claims  
4 in an amended complaint or, in the alternative, deem the Invalidation Counterclaims-in-Reply to be  
5 affirmative claims.

6 Respectfully submitted,

7 Dated: December 17, 2019

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