

“JURISDICTION AND VENUE”

4. The allegations in paragraph 4 concern legal conclusions to which no response is required. To the extent a response is required, NIS does not contest subject matter jurisdiction.

5. The allegations in paragraph 5 concern legal conclusions to which no response is required. To the extent a response is required, NIS does not contest personal jurisdiction.

6. The allegations in paragraph 6 concern legal conclusions to which no response is required. To the extent a response is required, NIS does not contest venue.

“THE PATENTS-IN-SUIT”

“NIS Patent”

7. NIS admits that the face of the ’641 patent includes the title: “Monitoring Individual Fibers of an Optical Cable for Intrusion,” and lists an issue date of April 27, 2010. NIS admits that the face of the ’641 patent includes NIS as an assignee.

“CS Patents”

8. NIS admits that the face of the ’940 patent includes the title: “Test device for verifying operation of an optical fiber monitoring system,” and lists an issue date of November 29, 2022. NIS admits that the ’940 patent was duly and legally issued. NIS admits that Exhibit 1 to CS’s counterclaims purports to be a copy of the ’940 patent. The allegation in paragraph 8 that the ’940 patent is presumed valid concerns a legal conclusion to which no response is required. To the extent a response is required, NIS contests the validity of at least claim 9 of the ’940 patent in so far as claim 9 is interpreted in the overly broad and incorrect manner asserted by CS in its infringement allegations. NIS denies any allegations in paragraph 8 to the extent they are inconsistent with the foregoing.

9. NIS admits that the face of the ’181 patent includes the title: “Cable assembly

disturbance detection method,” and lists an issue date of July 12, 2022. NIS denies that the ’181 patent was duly and legally issued. NIS admits that Exhibit 2 to CS’s counterclaims purports to be a copy of the ’181 patent. The allegation in paragraph 9 that the ’181 patent is presumed valid concerns a legal conclusion to which no response is required. To the extent a response is required, NIS contests the validity of the ’181 patent. NIS denies any allegations in paragraph 9 to the extent they are inconsistent with the foregoing.

10. NIS admits that the face of the ’999 patent includes the title: “Method and system for protective distribution system (PDS) and infrastructure protection and management,” and lists an issue date of September 27, 2016. NIS denies that the ’999 patent was duly and legally issued. NIS admits that Exhibit 3 to CS’s counterclaims purports to be a copy of the ’999 patent. The allegation in paragraph 10 that the ’999 patent is presumed valid concerns a legal conclusion to which no response is required. To the extent a response is required, NIS contests the validity of the ’999 patent. NIS denies any allegations in paragraph 10 to the extent they are inconsistent with the foregoing.

11. NIS admits that the face of the ’342 patent lists an issue date of June 21, 2022. NIS denies that the ’342 patent was duly and legally issued. NIS admits that Exhibit 4 to CS’s counterclaims purports to be a copy of the ’342 patent. The allegation in paragraph 11 that the ’342 patent is presumed valid concerns a legal conclusion to which no response is required. To the extent a response is required, NIS contests the validity of the ’342 patent. NIS denies any allegations in paragraph 11 to the extent they are inconsistent with the foregoing.

12. NIS admits that CS has defined the patents as stated, but denies any allegations in paragraph 12 to the extent they are inconsistent with the foregoing.

“BACKGROUND”

13. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 13; except that, NIS denies “CS created the first-of-its-kind critical infrastructure end-to-end solution that protects data centers from physical threats and cyber-attacks.”

14. NIS admits that both NIS and CS operate in related fields. NIS admits that it was the original assignee of the '940 patent and that it assigned the '940 patent to CS. NIS admits that Exhibit 5 to CS's counterclaims purports to be a copy of the assignment agreement concerning the '940 patent. NIS denies the remainder of the allegations in paragraph 14.

15. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 15.

16. NIS admits the allegations in paragraph 16 and that Exhibit 6 speaks for itself; except that, NIS denies any infringement or allegations in paragraph 16 to the extent they are inconsistent with the foregoing.

17. NIS admits the allegations in paragraph 17 and that Exhibit 7 speaks for itself; except that, NIS denies any infringement or allegations in paragraph 17 to the extent they are inconsistent with the foregoing.

“COUNTERCLAIM I”

18. NIS incorporates by reference its responses to the prior paragraphs as if fully set forth herein.

19. NIS denies the allegations in paragraph 19.

20. The allegations in paragraph 20 concern legal conclusions to which no response is required. To the extent a response is required, NIS denies that CS is entitled to any relief.

“COUNTERCLAIM II”

21. NIS incorporates by reference its responses to the prior paragraphs as if fully set forth herein.

22. NIS denies the allegations in paragraph 22.

23. The allegations in paragraph 23 concern legal conclusions to which no response is required. To the extent a response is required, NIS denies that CS is entitled to any relief.

“COUNTERCLAIM III”

24. NIS incorporates by reference its responses to the prior paragraphs as if fully set forth herein.

25. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 25.

26. NIS denies the characterizations of the '940 patent and what it is purportedly “directed to.” NIS denies the remainder of the allegations in paragraph 26.

27. The allegations in paragraph 27 are not directed at NIS and, therefore, no response is required. To the extent a response is required, NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 27.

28. The allegations in paragraph 28 are not directed at NIS and, therefore, no response is required. To the extent a response is required, NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 28.

29. NIS admits having knowledge of the '940 patent upon its issuance. NIS denies any infringement of the '940 patent. NIS denies the remainder of the allegations in paragraph 29.

30. NIS denies the allegations in paragraph 30.

31. NIS denies the allegations in paragraph 31.

32. NIS denies the allegations in paragraph 32.

33. NIS denies the allegations in paragraph 33.

34. NIS denies the allegations in paragraph 34.

35. NIS denies the allegations in paragraph 35.

36. NIS denies the allegations in paragraph 36.

“COUNTERCLAIM IV”

37. NIS incorporates by reference its responses to the prior paragraphs as if fully set forth herein.

38. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 38.

39. NIS denies the characterizations of the '181 patent and what it is purportedly “directed to.” NIS denies the remainder of the allegations in paragraph 39.

40. NIS denies that the '181 patent was duly and legally issued. NIS denies the remainder of the allegations in paragraph 40.

41. NIS denies the allegations in paragraph 41.

42. NIS admits having knowledge of the '181 patent upon receiving CS's letter dated January 24, 2025. NIS denies any infringement of the '181 patent. NIS denies the remainder of the allegations in paragraph 42.

43. NIS denies the allegations in paragraph 43.

44. NIS denies the allegations in paragraph 44.

45. NIS denies the allegations in paragraph 45.

46. NIS denies the allegations in paragraph 46.

47. NIS denies the allegations in paragraph 47.

48. NIS denies the allegations in paragraph 48.

49. NIS denies the allegations in paragraph 49.

“COUNTERCLAIM V”

50. NIS incorporates by reference its responses to the prior paragraphs as if fully set forth herein.

51. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 51.

52. NIS denies the characterizations of the '999 patent and what it is purportedly “directed to.” NIS denies the remainder of the allegations in paragraph 52.

53. NIS denies that the '999 patent was duly and legally issued. NIS denies the remainder of the allegations in paragraph 53.

54. NIS denies the allegations in paragraph 54.

55. NIS denies the allegations in paragraph 55.

56. NIS admits having knowledge of the '999 patent upon receiving CS's letter dated January 24, 2025. NIS denies any infringement of the '999 patent. NIS denies the remainder of the allegations in paragraph 56.

57. NIS denies the allegations in paragraph 57.

58. NIS denies the allegations in paragraph 58.

59. NIS denies the allegations in paragraph 59.

60. NIS denies the allegations in paragraph 60.

61. NIS denies the allegations in paragraph 61.

62. NIS denies the allegations in paragraph 62.

63. NIS denies the allegations in paragraph 63.

“COUNTERCLAIM VI”

64. NIS incorporates by reference its responses to the prior paragraphs as if fully set forth herein.

65. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 65.

66. NIS lacks knowledge or information sufficient to form a belief about the truth of the allegations in paragraph 66.

67. NIS denies the characterizations of the '342 patent and what it is purportedly “directed to.” NIS denies the remainder of the allegations in paragraph 67.

68. NIS denies that the '342 patent was duly and legally issued. NIS denies the remainder of the allegations in paragraph 68.

69. NIS denies the allegations in paragraph 69.

70. NIS denies the allegations in paragraph 70.

71. NIS admits having knowledge of the '342 patent upon receiving CS's letter dated January 24, 2025. NIS denies any infringement of the '342 patent. NIS denies the remainder of the allegations in paragraph 71.

72. NIS denies the allegations in paragraph 72.

73. NIS denies the allegations in paragraph 73.

74. NIS denies the allegations in paragraph 74.

75. NIS denies the allegations in paragraph 75.

76. NIS denies the allegations in paragraph 76.

77. NIS denies the allegations in paragraph 77.

78. NIS denies the allegations in paragraph 78.

“PRAYER FOR RELIEF”

79. CS’s prayer for relief does not require a response. To the extent a response is required, NIS denies that CS is entitled to any relief.

**PLAINTIFF NETWORK INTEGRITY SYSTEMS, INC.’S
AFFIRMATIVE AND OTHER DEFENSES**

NIS asserts the below affirmative and other defenses without assuming any burden of production or proof that it would not otherwise bear.

First Defense: Failure to State a Claim

Every claim asserted in CS’s counterclaims fails to state a claim upon which relief can be granted, at least because CS’s allegations of patent infringement are facially deficient, as they fail to plausibly assert that NIS’s accused products satisfy all limitations of any asserted claim of the Patents-in-Suit.

Second Defense: Non-Infringement

NIS has not infringed and does not infringe any valid and enforceable claim of the Patents-in-Suit directly or indirectly, by inducement or contributory infringement, either literally or under the doctrine of equivalents.

Third Defense: Invalidity

The Patents-in-Suit are invalid for failing to meet one or more of the statutory and decisional conditions for patentability under Title 35 of the United States Code, including, without limitation, one or more of 35 U.S.C. §§ 101, 102, 103, 112, 115, 116, 132, and/or under the doctrine of obviousness-type double patenting, at least in view of CS’s overly broad and incorrect interpretation of the claims asserted against NIS.

Fourth Defense: Equitable Defenses and Unenforceability

CS's claims are barred, in whole or in part, by one or more of the doctrines of waiver, equitable estoppel, unclean hands, and/or other applicable equitable defenses.

Fifth Defense: No Ensnarement

CS's claims are barred, in whole or in part, by the doctrine of ensnarement. CS is precluded from asserting infringement under the doctrine of equivalents if it will encompass or ensnare the prior art.

Sixth Defense: License and Exhaustion

CS's claims are barred, in whole or in part, by defenses of license (either express or implied) and/or patent exhaustion.

Seventh Defense: No Willful Infringement

NIS has not willfully infringed, and is not willfully infringing, any valid and enforceable claim of the Patents-in-Suit directly or indirectly, by inducement or contributory infringement, either literally or under the doctrine of equivalents. Further, CS's claims, and each and every claim stated therein, fail to state a claim for willful infringement upon which relief can be granted. Accordingly, CS is not entitled to seek enhanced damages or attorneys' fees for any such alleged willful infringement.

Eighth Defense: Limitation on Damages / Marking

CS's claims for damages are limited (including lack of any pre-suit damages) as a consequence of failing to comply with the requirements of 35 U.S.C. §§ 286, 287 (including but

not limited to failure to mark and/or provide pre-suit notice of infringement), and/or 288 (asserted Patents-in-Suit are invalid).

Ninth Defense: Limitation on Damages

Any recovery of damages is limited, in whole or in part, by failure to mitigate damages.

Tenth Defense: Release

CS's claims are barred, in whole or in part, because CS released NIS for all claims, including alleged patent infringement, as a result of, for example, the "Memorandum of Understanding," executed on or about June 23, 2023, and the "Settlement Agreement," executed on or about September 6, 2024.

Eleventh Defense: Exceptional Case

CS has no basis to allege that this case is an exceptional case justifying an award of attorneys' fees to CS under 35 U.S.C. §§ 284 and 285. To the extent this case is exceptional it is exceptional because CS knew or should have known that all of its infringement claims were baseless at the time it filed its counterclaims. Accordingly, NIS is entitled to an award of its reasonable attorneys' fees, costs and expenses, under 35 U.S.C. § 285 and any other available statute or law.

Twelfth Defense: Limitation on Costs

CS is not entitled to costs, and its costs are limited under 35 U.S.C. § 288.

Thirteenth Defense: Prosecution History Estoppel

CS is precluded from asserting infringement under the doctrine of equivalents for some or all of the asserted claims of the Patents-in-Suit, as a result of prosecution history estoppel.

Reservation of Defenses

NIS's investigation of its defenses is ongoing, and NIS expressly reserves the right to allege and assert additional defenses under Rule 8 of the Federal Rules of Civil Procedure, the patent laws of the United States, and any other defense, at law or in equity, that may now exist or may in the future be available based upon discovery and further investigation in this case.

* * *

WHEREFORE, Plaintiff Network Integrity Systems, Inc. respectfully requests that the counterclaims of Defendant CyberSecure IPS LLC be dismissed, with attorney fees and costs awarded to Network Integrity Systems, Inc. as allowed by law, and for any other relief as this Court deems just and proper.

DEMAND FOR JURY TRIAL

NIS demands a trial by jury on all claims so triable.

**PLAINTIFF NETWORK INTEGRITY SYSTEMS, INC.'S
COUNTERCLAIMS AGAINST CYBERSECURE IPS LLC**

NIS complains of CS in related counterclaims as follows:

NATURE OF COUNTERCLAIMS

1. NIS asserts defamation and unfair and deceptive trade practices claims arising out of CS's false accusations of patent infringement by NIS that CS published in a cease-and-desist demand letter that was hand delivered to, among others, an NIS shareholder and six NIS lower-level employees, before any litigation between the parties had taken place.

2. NIS's counterclaims in this action concern five CS patents, and four of the five patents are asserted by CS in its counterclaims alleging patent infringement by NIS.

3. While corporate cease-and-desist demand letters are typically sent to the highest-level officers and/or legal counsel, CS overpublished its demand letter to an NIS shareholder and multiple NIS employees with the intent to damage NIS's reputation within its investor and employee community and engage in unfair and deceptive trade practices.

4. NIS seeks to hold CS accountable for the damage caused by its defamation and unfair and deceptive trade practices.

PARTIES, JURISDICTION, AND VENUE

5. NIS is a North Carolina corporation with a principal place of business at 1937 Tate Boulevard SE, Hickory, North Carolina 28602.

6. CS is a Maryland limited liability company headquartered in Maryland.

7. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338(a) and over these counterclaims pursuant to Rule 13 of the Federal Rules of Civil Procedure.

8. Personal jurisdiction exists over CS because it has its headquarters in Maryland and the parties agreed to transfer this action to this Court.

9. Venue is proper under 28 U.S.C. § 1400(b) in this Division and District where CS is headquartered and the parties agreed to transfer this action.

FACTUAL BACKGROUND

The Parties

10. NIS incorporates by reference its allegations in the complaint concerning the parties, their business relationship and break-up, and contracts between by the parties, *see, e.g.*, Compl. ¶¶ 7-11.

11. Following the September 6, 2024, Settlement Agreement, the parties continued to compete against each other in the cyber- and physical security market. CS, however, chose unfair and deceptive means of competition.

12. For example, in December 2024, CS, by and through its Chief Executive Officer, Scott Rye, and Chief Technology Officer, Bobby Nakanelua, solicited two NIS employees, Services Manager Darrell Magee and Software Product Line Manager Adam Millan, to leave NIS for employment with CS in violation of anti-solicitation provisions in the Settlement Agreement.

13. Magee then resigned from NIS and began working for CS. Millan, however, stayed with NIS. Both employees were, and in the case of Millan still is, involved in research and development of patented NIS technologies, as well as NIS sales and marketing.

14. In January 2025, CS continued its unfair and deceptive competition against NIS, by falsely accusing NIS of patent infringement in a hand-delivered letter sent to, among others, Millan, other NIS employees, and an NIS shareholder.

The Letter

15. On and about January 24, 2025, CS, by and through its agent lawyers, made and published the aforementioned letter to third parties.¹ A copy of the letter is included in CS's counterclaims as Exhibit 6 (the "Letter"). *See* ECF 25-6.

16. The Letter was addressed and cc'd to 11 people: Dave Cunningham (NIS Chief Executive Officer and Chairman of the Board of Directors); Cary Murphy (NIS Chief Technology Officer); David Vokey (NIS Board Member); Lee Brown (NIS Board Member); Joseph Giovannini (NIS shareholder); Robert Dennis (NIS Sales Director); Amanda Hetzel (NIS Marketing Director); Mark Bridges (NIS Engineering Director); Trampus Landrum (NIS Hardware Product Line Manager); Adam Millan (NIS Software Product Line Manager); and Sakellarios Spirtos (Senior Software Engineer).

17. The Letter was published via "Hand Delivery" by a process server to each of the listed persons above, at their home and/or office addresses and over the weekend, except for David Vokey (NIS Board Member) who did not receive the Letter.

18. At the time the Letter was published, NIS and CS were not involved in any judicial or quasi-judicial proceeding.

19. Other than NIS officers (Cunningham and Murphy), and potentially members of the NIS Board of Directors (Brown), none of the other Letter recipients were proper recipients for the Letter, which included allegations of patent infringement by NIS. These recipients were either a shareholder of NIS (Giovannini) or lower-level employees of NIS (Dennis, Hetzel, Bridges, Landrum, Millan, Spirtos). And they could not control how the company managed and defended against claims of patent infringement.

¹ At all relevant times, CS acted by and through its principals and agents, including its CEO and lawyers.

20. CS was aware of to whom it was publishing the Letter, including their positions, titles, and roles within NIS.

21. CS knowingly published the Letter to NIS persons who were not interested parties and/or could not control how the company managed and defended against claims of patent infringement.

22. CS did so in order to overpublish its defamatory statements and cause injury to NIS's reputation within its investor and employee community.

The Defamatory Statements

23. In general, CS, by and through the Letter, falsely accused NIS of violating the intellectual property rights of another by infringing CS patents.

24. Specifically, CS, by and through the Letter, falsely accused NIS of the following defamatory matters:

- a. **"Patent Infringement by Network Integrity Systems"** [Ex. 6 at 1] (bold in original)
- b. "We demand that NIS immediately cease and desist all patent infringement and provide sales information for all products and systems NIS has sold with infringing features." [Ex. 6 at 1]
- c. "Such a [AFFIRM product] testing system, used in conjunction with NIS's detection products (such as its FOCUS products), infringes at least claim 9 of the '940 patent based on the limited information in NIS's marketing materials." [Ex. 6 at 2]
- d. "Although we cannot confirm based on the limited information available, it is likely NIS's testing system also infringes other patent claims from this family of patents." [Ex. 6 at 2]
- e. "Even without a testing system, NIS's detection systems infringe CyberSecure's U.S. Patent No. 11,388,181 (the '181 patent)." [Ex. 6 at 2]
- f. "This use of machine learning [via INTERCEPTOR FOCUS, VANGUARD FOCUS, SENTINEL FOCUS products] infringes at least claim 14 of the '181 patent." [Ex. 6 at 2-3]

- g. “It also appears NIS is likely infringing [CS] patents for other features of detection systems.” [Ex. 6 at 3]
- h. “NIS’s website suggests its INSIGHT application infringes this [‘999] patent (see, e.g., claim 1).” [Ex. 6 at 3]
- i. “Based on screenshots for INSIGHT on NIS’s website (such as the one below), NIS is likely infringing this [‘342] patent, as well.” [Ex. 6 at 3]
- j. “It appears NIS is likely infringing this [‘189] patent with its systems.” [Ex. 6 at 4]
- k. “These descriptions suggest infringement of this patent by the INTERCEPTOR, VANGUARD, and SENTINEL systems.” [Ex. 6 at 4]
- l. “We demand that NIS immediately cease and desist infringement of the ‘940 and ‘181 patents ...” [Ex. 6 at 4]
- m. “We also demand that NIS immediately cease and desist any infringement of the ‘999 patent (covering the trigger of alerts based on disturbance counts), the ‘342 patent (covering event laying on a location map) and the ‘189 patent (covering continuous adjustment of a normal state of a sensor).” [Ex. 6 at 4]
- n. “NIS has repeatedly taken unfair advantage of its past partnership with CyberSecure and is now infringing CyberSecure’s patents without seeking permission or offering any compensation.” [Ex. 6 at 5]
- o. “Failure to respond and address all infringement described in this letter will result in CyberSecure IPS initiating immediate legal action.” [Ex. 6 at 5]

25. CS, by and through the Letter, published the defamatory statements, by content and context, as factual statements and conclusions, not opinion.

26. Indeed, the Letter is entitled “**Patent Infringement by Network Integrity Systems**” and makes demands to NIS to “cease and desist” its patent infringement, warning NIS that failure to comply “will result in CyberSecure IPS initiating immediate legal action.”

27. Moreover, the Letter was written on CS’s lawyers’ letterhead and published with all the formality of a threatening cease-and-desist demand letter: sent via “Hand Delivery” from the Foley & Lardner LLP law firm to NIS’s Chief Executive Officer and 10 other NIS people with a one-month deadline to comply or else legal action will result.

28. In short, the defamatory statements are capable of being proven true or false. NIS either did or did not engage in the alleged patent infringement. NIS did not.

Falsity of the Defamatory Statements

29. NIS does not infringe and has not infringed any of CS's patents, including but not limited to the CS Patents-in-Suit, as alleged in the Letter.

30. NIS incorporates by reference its above denials to CS's counterclaims of patent infringement, *see, e.g.*, Answer ¶¶ 24-78, which claims were also made, falsely, in the Letter.

31. NIS incorporates by reference its letter response to the Letter included with CS's counterclaims as Exhibit 7, *see* ECF 25-7, which response addressed not only the falsity of CS's counterclaims of patent infringement with respect to CS's Patents-in-Suit in this action, but also the falsity of CS's additional accusation that NIS infringed CS's '189 patent (U.S. Patent No. 11,094,189).

Fault behind the Defamatory Statements

32. CS made and published the defamatory statements knowing they were false and/or recklessly disregarding the truth.

33. For example, CS knew that NIS's AFFIRM product did not infringe CS's '940 patent, as falsely alleged in the Letter, because public information (*e.g.*, NIS's website, which includes the AFFIRM specification sheet) showed that AFFIRM did not use a fiber disturbance actuator, but instead employs a shutter, which is not a fiber disturbance actuator.

34. Further, CS purposefully avoided this fact because it screenshot text from the AFFIRM specification sheet in the Letter but omitted references in the sheet to shutters. CS also purposefully avoided the fact that the AFFIRM specification sheet makes no mention of NIS using AFFIRM with its FOCUS products, as falsely alleged in the Letter.

35. CS knew that NIS did not infringe CS's '181 patent because that patent does not cover "machine learning," as falsely alleged in the Letter.

36. In addition, CS knew that the '181 patent cannot cover "machine learning" because machine learning, including pattern recognition and neural networks, has been used in fiber optic detection systems for many years prior to the filing of the '181 patent.

37. CS knew that NIS's INSIGHT product did not infringe CS's '999 patent, as falsely alleged in the Letter, because public information (*e.g.*, NIS's website) showed that INSIGHT did not trigger alerts based on disturbances.

38. CS purposefully avoided this fact because it screenshot an image of INSIGHT from NIS's website in the Letter that does not show INSIGHT triggering alerts based on the number of disturbances.

39. CS knew that NIS's INSIGHT product did not infringe CS's '342 patent, as falsely alleged in the Letter, because public information (*e.g.*, NIS's website) does not show that INSIGHT provides real-time playback of disturbances. As CS knows, INSIGHT does not have, and has never had, features that provide real-time playback of disturbances.

40. CS purposefully avoided this fact because it screenshot an image of INSIGHT from NIS's website in the Letter that does not show INSIGHT providing real-time playback of disturbances.

41. In addition, CS knew that the '342 patent cannot cover selecting and layering events on a location map, as alleged in the Letter, because such features had been in use for many years prior to the filing of the '342 patent, including in CS's own products.

42. CS knew that NIS's INTERCEPTOR, VANGUARD, and SENTINEL products do not infringe CS's '189 patent, as falsely alleged in the Letter, because public information (*e.g.*,

NIS's website) showed that these products do not employ the use of continuously monitoring wavelength readings.

43. CS also knew and recklessly disregarded the falsity of the defamatory statements based on its prior business relationship with NIS—dating back to at least 2015—and integrating NIS products with CS software to sell security services and products to third parties.

44. CS also knew and recklessly disregarded the falsity of the defamatory statements based on its possession of NIS products, firmware files, and other technical documentation as part of its prior business relationship with NIS—dating back to at least 2015—and integrating NIS products with CS software to sell security services and products to third parties.

45. CS erroneously and recklessly relied on a predetermined conclusion that NIS had engaged in patent infringement.

46. CS made and published the false and defamatory statements as part of its unfair and deceptive competition against NIS, which included a history of recruiting and poaching NIS employees in violation of anti-solicitation provisions in the Settlement Agreement.

47. The truth did not matter to CS who intended to threaten its direct competitor, NIS, and deceive those investing in and employed by NIS with false accusations of patent infringement.

Damage Caused by the Defamatory Statements

48. Readers of the defamatory statements did and would think less of NIS because of the defamatory statements, believing NIS to be engaged in violation of intellectual property and patent rights of another and lacking in integrity.

49. NIS's standing in its investor and employee community has been questioned and discredited.

50. NIS incurred financial damages and business disruption as well, having had to

devote and spend resources responding to the Letter and reassuring its investor and employee community that CS's accusations of patent infringement were and are false and retaliatory.

COUNT I
(Defamation)

51. NIS adopts and incorporates by reference all the foregoing allegations of its counterclaims as if fully set forth herein.

52. CS made and published the defamatory statements about NIS, without privilege or justification, to third parties.

53. The defamatory statements falsely accused NIS of violating intellectual property and patent rights of another, namely CS.

54. Readers of the defamatory statements did and would think less of NIS because of the defamatory statements, believing NIS to violate intellectual property and patent rights of another, namely CS, and as lacking integrity in connection with its business.

55. The defamatory statements are defamatory *per se*, for which separate proof of harm is not required.

56. The defamatory statements otherwise tend to lower NIS's reputation in the estimation of the community and/or deter third persons from associating or dealing with NIS.

57. The defamatory statements were and are still false. NIS did not violate intellectual property and patent rights of another, namely CS.

58. CS made and published the defamatory statements with actual malice, knowing they were false and/or recklessly disregarding the truth.

59. At a minimum, CS made and published the defamatory statements negligently, without exercising a reasonable level of care and diligence to ascertain the truth.

60. As a direct and proximate result of the *per se* defamatory statements and/or defamatory statements made with actual malice, NIS suffered and continues to suffer presumed damages in an amount to be determined at trial.

61. As a direct and proximate result of the defamatory statements, NIS suffered reputation, financial, and other damages in an amount to be determined at trial.

62. CS's conduct was willful, malicious, intentional, wanton and/or reckless, thereby entitling NIS to an award of punitive damages in an amount to be determined at trial.

COUNT II
(Unfair and Deceptive Trade Practices – N.C. Gen. Stat. §§ 75-1.1, 75-16)

63. NIS adopts and incorporates by reference all the foregoing allegations of its counterclaims as if fully set forth herein.

64. CS engaged in unfair and deceptive trade practices, by defaming NIS with false accusations of patent infringement.

65. CS's conduct occurred in or affected commerce.

66. As a direct and proximate result of the unfair and deceptive trade practices, NIS suffered reputation, financial, and other damages in an amount to be determined at trial.

67. NIS is entitled to treble damages and attorney's fees pursuant to N.C. Gen. Stat. §§ 75-16, 75-16.1.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Network Integrity Systems, Inc. respectfully requests that this Court enter judgment against Defendant CyberSecure IPS LLC for the following:

A. Presumed, compensatory, and punitive damages in an amount exceeding \$75,000, to be proven at trial;

B. Statutory damages;

- C. Costs, expenses, and/or attorney fees as allowed by law;
- D. Pre- and post-judgment interest as allowed by law; and
- E. Any other and further relief as the Court deems just and proper.

JURY DEMAND

NIS demands a trial by jury on all claims so triable.

Date: September 9, 2025

Respectfully submitted,

/s/ Joseph L. Meadows

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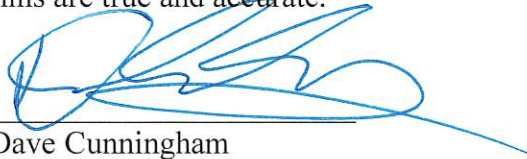
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VERIFICATION

I declare under penalty of perjury, to the best of my knowledge, information and belief,
that the factual contents of the NIS counterclaims are true and accurate.

Dated: September 9, 2025



Dave Cunningham
President
Network Integrity Systems, Inc.