IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

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| ZYMOGENETICS, INC., a Washington Corporation, | ) | |
| Plaintiff, | ) | C. A. No. 06-500-KAJ |
| v. | ) | DEMAND FOR JURY TRIAL |
| BRISTOL-MYERS SQUIBB CO., a Delaware Corporation, and DOES 1 through 100, | ) | |
| Defendants. | ) | |

**REPLY TO DEFENDANT BRISTOL-MYERS SQUIBB COMPANY'S COUNTERCLAIMS FOR DECLARATORY JUDGMENT**

Plaintiff ZymoGenetics, Inc. ("Plaintiff" or "ZymoGenetics") responds to the counterclaims set forth by Defendant Bristol-Myers Squibb Company ("Defendant" or "Bristol") in their Answer, Affirmative Defenses and Counterclaims ("Counterclaims") as follows:

1. Plaintiff ZymoGenetics admits that Defendant Bristol is a corporation existing under the laws of the State of Delaware with its principal place of business at 345 Park Avenue, New York, NY 10154-0037. Except as thus expressly admitted, ZymoGenetics lacks knowledge or information sufficient to admit or deny the remaining allegations in Paragraph 26 of the Counterclaims and on that basis denies those allegations.

2. ZymoGenetics admits the allegations of Paragraph 27 of the Counterclaims.

3. The allegations in Paragraph 28 are legal conclusions and do not require a responsive pleading. To the extent a response is required, ZymoGenetics does not dispute that the counterclaims purport to seek declaratory judgment relief for noninfringement and invalidity under the patent laws of the United States.

4. The allegations in Pargraph 29 are legal conclusions and do not require a responsive pleading. To the extent a response is required, ZymoGenetics does not dispute that subject matter jurisdiction is proper.

5. The allegations in Paragraph 30 are legal conclusions and do not require a responsive pleading. To the extent a response is required, ZymoGenetics does not dispute that personal jurisdiction and venue within this district is proper.

**COUNT I**

**United States Patent No. 5,843,725**

6. ZymoGenetics restates its responses set forth in paragraphs 1-5 of this Reply in response to Paragraph 31 of the Counterclaims.

7. ZymoGenetics admits that an actual controversy exists between Bristol and ZymoGenetics over U.S. Patent No. 5,843,725 ("the '725 Patent"). Except as thus expressly admitted, ZymoGenetics denies the remaining allegations of Paragraph 32 of the Counterclaims.

8. ZymoGenetics denies the allegations of Paragraph 33 of the Counterclaims.

9. ZymoGenetics denies the allegations of Paragraph 34 of the Counterclaims.

10. ZymoGenetics denies the allegations of Paragraph 35 of the Counterclaims.

11. ZymoGenetics denies the allegations of Paragraph 36 of the Counterclaims.

12. ZymoGenetics denies the allegations of Paragraph 37 of the Counterclaims.

**COUNT II**

**United States Patent No. 6,018.026 C1**

13. ZymoGenetics restates its responses set forth in paragraphs 1-5 of this Reply in response to Paragraph 38 of the Counterclaims.

14. ZymoGenetics admits that an actual controversy exists between Bristol and ZymoGenetics over U.S. Patent No. 6,018,026 C1 ("the '026 Patent"). Except as thus expressly admitted, ZymoGenetics denies the remaining allegations of Paragraph 39 of the Counterclaims.

15. ZymoGenetics denies the allegations of Paragraph 40 of the Counterclaims.

16. ZymoGenetics denies the allegations of Paragraph 41 of the Counterclaims.

17. ZymoGenetics denies the allegations of Paragraph 42 of the Counterclaims.

18. ZymoGenetics denies the allegations of Paragraph 43 of the Counterclaims.

19. ZymoGenetics denies the allegations of Paragraph 44 of the Counterclaims.

20. ZymoGenetics denies the allegations of Paragraph 45 of the Counterclaims.

**PRAYER FOR RELIEF**

WHEREFORE, ZymoGenetics denies that Bristol is entitled to any judgment or relief in their favor, including the relief in paragraph (a) through (j) of the Prayer for Relief.

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Dated: October 25, 2006

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By /s/ Philip A. Rovner

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**CERTIFICATE OF SERVICE**

I, Philip A. Rovner, hereby certify that on October 25, 2006, the within document was filed with the Clerk of the Court using CM/ECF which will send notification of such filing(s) to the following; that the document was served on the following counsel as indicated; and that the document is available for viewing and downloading from CM/ECF.

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I hereby certify that on October 25, 2006 I have sent by E-mail the foregoing document to the following non-registered participants:

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