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WHAT'S INSIDE

EXPERT INTERVIEW

Q&A: WIPO's Erik Wilbers on 20 years of resolving domain name disputes

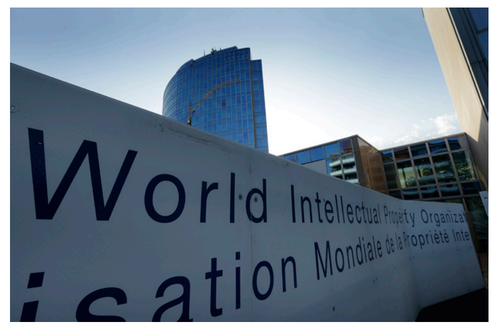
By Patrick H.J. Hughes

The World Intellectual Property Organization held a conference Oct. 21 at its Geneva headquarters to reflect on the 20th anniversary of the Uniform Domain Name Dispute Resolution Policy, commonly called UDRP. WIPO Arbitration and Mediation Center Director Erik Wilbers, who led the organization of the conference, spoke to Thomson Reuters about the milestone.

Thomson Reuters: The year 2019 marks 20 years since the formation of the UDRP. Why is this anniversary so important?

Erik Wilbers: The WIPO-designed UDRP was born in 1999 as a solution to the problem of bad-faith registration of domain names. Twenty years later, it remains a vital enforcement tool with global impact. Over time, the UDRP has proven sufficiently flexible to continue to address cybersquatting efficiently.

Brand owners from around the world have already used the UDRP and UDRP variations in over 45,000 cases filed with WIPO's Arbitration and Mediation Center. This year again, WIPO's caseload is showing record numbers.



REUTERS/Denis Balibouse

That, so many years after its creation, trademark owners continue to enforce their rights through the UDRP shows, in the words of WIPO Director General Francis Gurry, "[its] extraordinary success as a durable international solution that has addressed a real problem effectively and has helped build trust in the internet for global commercial transactions."

TR: How did the UDRP process develop in 1999?

EW: In the 1990s, the estimated number of internet users grew from around 1 million to some 70 million in 1997. The commercialization of the

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EXPERT ANALYSIS

What Oracle's disappointing cloud performance means for its licensees

Crowell & Moring attorneys Arthur Beeman, Joel T. Muchmore, Molly A. Jones and Katie Sass warn Oracle licensees to brace for an audit in light of the increasing role auditing could play in the company's overall growth strategy.

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What Oracle's disappointing cloud performance means for its licensees

By Arthur Beeman, Esq., Joel T. Muchmore, Esq., Molly A. Jones, Esq., and Katie Sass, Esq.
Crowell & Moring

Longtime users of Oracle's legacy software products are likely familiar with the company's penchant for aggressive license audits.

These audits have long been a staple of Oracle's business model and can result in claims of large licensing shortfalls against its licensees.

For a time, it was easy to believe that Oracle's cloud strategy was succeeding.

But what licensees may not understand is that Oracle's auditing practices, which at one time were merely a separate revenue stream, have evolved into an integral part of a larger fight for its legitimacy in the cloud-computing industry.

Understanding this larger context is an important exercise for the proactive Oracle licensee who wishes to prepare for the inevitable Oracle audit.

In sum, as a late entrant to the cloud wars, Oracle's much-publicized objective of becoming a major — if not the major — competitor in the provision of cloud-based hosting services has been a hard fight.

Nothing if not bullish, Oracle has made up for lost time by making great fanfare of the fact that it is pouring billions of dollars into creating what it hopes to be a competitive cloud platform. It has also informed the market that its hundreds of thousands of enterprise licensees will be the first to seed its growing cloud.

And, considering its reputation as an aggressive licensor, industry commentators were not surprised when Oracle began to utilize its notorious auditing tactics to move its existing licensees to its newly marketable cloud.

If Oracle's audits are the hammer, its licensees are the nails in Oracle's plan to build out its cloud bona fides.

Without license audits, it is highly unlikely Oracle can legitimately compete with the leading cloud competitors.

For a time, it was easy to believe that Oracle's cloud strategy was succeeding.

Oracle increasingly touted cloud revenue as an ever-growing portion of its reported earnings, and it proclaimed great success in the market.

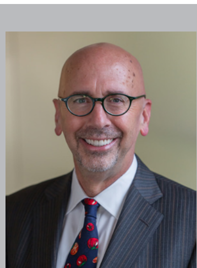
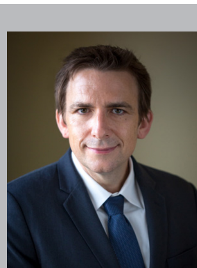
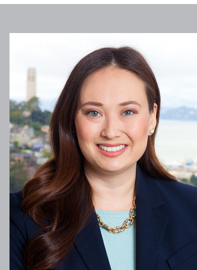
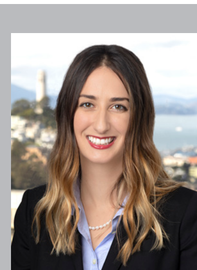
However, over the past year, Oracle appears to have scaled back its optimism. In June of last year, it reported disappointing fourth-quarter earnings. Days later, it suffered a disastrous market fall that was generally tied to its waning cloud performance and a change in its revenue reporting.

One year later, Oracle announced a tentative partnership with Microsoft Azure and saw an improvement in its 2019 fourth-quarter earnings. These developments were nevertheless met with skepticism about what they signaled for Oracle's position in the cloud wars and its sizeable investment in its platform.

Regardless of what path Oracle ultimately ends up taking with regard to the provision of cloud services, it is hard not to see this market instability as a bad omen for Oracle and the ultimate fate of its fledgling cloud.

Because Oracle is likely to double down on the aggressive licensing and auditing tactics that it knows best, its current enterprise licensees should brace themselves to bear the brunt of its cloud anxiety.

This commentary provides a brief summary of Oracle's belated efforts to build a competitive cloud product, the details behind its recent market slip, and how this slip is likely to affect its already fraught relationship with its many enterprise licensees.

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SLEEPING THROUGH THE CLOUD REVOLUTION

In 2006, while the then-nascent cloud computing industry was gaining momentum, Larry Ellison, Oracle's then-CEO, was nothing if not derisive of the growing market for cloud services: "Maybe I'm an idiot, but I have no idea what anyone is talking about," he said. "It really is just complete gibberish. … It's insane."

As recently as 2009 Ellison continued objecting to the "absurdity" and "nonsense" of cloud innovation. "What are you talking about?" he said. "It's not water vapor. It's a computer attached to a network!"[1]

Notwithstanding Ellison's befuddled criticism, the cloud industry forged ahead.

In 2018 alone, the industry is estimated to have reached $182.4 billion in revenue and is projected to reach $331.2 billion in annual revenue by 2022.

WILL THEY COME?

With an infrastructure in place, Oracle needs customers. Oracle's prime targets? Its captive base of enterprise licensees.

The methodology? Its tried and tested "business is war" mentality.[5]

Specifically, Oracle has begun to wield its aggressive licensing audits to thrust its cloud services onto its current licensees.

> Oracle is painfully aware that it needs Wall Street to recognize it as a significant cloud provider.

Recognizing these formidable returns in a burgeoning industry, Oracle is painfully aware that it needs Wall Street to recognize it as a significant cloud provider, lest it be stigmatized as a "legacy vendor."[2]

However, some observe that the top cloud providers — AWS, Google, ServiceNow, IBM and Adobe — are "sucking most/all of the application oxygen out of the enterprise marketplace."[3]

For example, Gartner predicts that by 2021, the top 10 cloud providers will control almost 70% of certain cloud markets, up from 50% in 2016.

So unless it quickly gains a foothold or changes strategy, Oracle is at substantial risk of being left behind by this rapid consolidation of the cloud industry.

Swimming against these currents, Oracle will not get a substantial piece of the cloud market without a fight.

ORACLE BUILT IT

Oracle's first step toward securing a place in the cloud wars was to build an infrastructure.

Since launching its first "infrastructure as a service" platform in 2015 — lagging nearly a decade behind most competitors — Oracle has invested billions in a "quest to build and defend a range of cloud services."[4]

However, its cumulative investment into its cloud platform remains a small fraction of its the investments made by its main competitors, each of which spent more on infrastructure last year alone than Oracle has in total.

This begs a question: How can Oracle compete to gain market share and drive revenues?

The company's use of license audits to drive revenues and coerce the renewal of licenses for its legacy products is nothing new. Its well-honed auditing machine was built to find steep licensing shortfalls in nearly all circumstances.

Either because unlicensed features and products are inadvertently installed or because creative accounting yields elevated counts of processor "installation," an Oracle audit almost guarantees that the licensee will face an imposing reconciliation demand.

Once a licensee falls into this trap, Oracle offers to make the purported breach notice "go away" by proposing a "business resolution," which unfailingly entails adding Oracle cloud credits or other services to the license.

Finally, Oracle penalizes customers for using competing cloud services by doubling the cost of running Oracle software on Amazon's AWS, while the cost of running on Oracle's cloud remains unchanged.

According to an article in Forbes magazine,[6] Oracle's notoriously "sticky" license agreements present great risk for businesses considering switching operations away from Oracle.

Few, however, see this as a viable long-term strategy.

Some analysts have observed that while its competitors prioritize "innovation and customer value," Oracle prioritizes "short-term profitability and growth," the article said.

In the eyes of industry experts, customers stick with Oracle "not because Oracle's products are necessarily any better, but because Oracle has done such a good job putting up roadblocks for any company considering [switching to other vendors]," the article said. "Anti-customer strategies can only take a company so far before people simply won't put up with them anymore."

Although Oracle might be winning today with what the Forbes article calls a "ruthless focus on the bottom line," many predict that it will not win in the future.

Other analysists have observed that as Oracle "continue[s] to lose ground against newer suppliers, it (and its shareholders) should ask why many of its legacy customers are quite so antipathetic to renewing with Oracle."[7]

Nonetheless, aggressive auditing continues to be Oracle's standard operating procedure, and licensees should remain vigilant regarding Oracle's new goal of driving cloud sales.

TROUBLE ON THE HORIZON: ORACLE'S MARKET SLIP

Based on its initial reports, Oracle's cloud strategy appeared to be working.

In fact, some sources reported Oracle's cloud business as the main engine of its recent growth, comprising almost 16% of the company's total revenues in fiscal year 2018 compared with just 8% two years prior.

Then, about a year ago, the bottom appeared to fall out. On June 19, 2018, Oracle reported its fiscal fourth-quarter earnings, and by the close of trading the following day, share prices plummeted almost 8% to a 15-month low.

Oracle was dubbed at the time "the worst-performing stock in the S&P 500's Software and Services Group for the year."[8]

Analysts cited two main reasons for the plunge: discouraging short-term financial predictions and Oracle's adoption of alarming changes in its reporting format.

As to the first, Oracle announced a "disappointing outlook" for the next quarter. Predicted revenue of $9.4 billion was lower than Wall Street's $9.5 billion estimate, and Oracle's adjusted earnings near 68 cents per share were also below analyst predictions of 72 cents.

Many saw these discouraging predictions as a signal that Oracle's cloud business was slowing.[9] However, most attributed the sharp decline to the second factor: a dramatic change in the format of Oracle's cloud reporting.

Oracle announced that beginning in June 2018 it would bundle reporting of the distinct cloud buckets (such as software as a service, platform as a service and infrastructure as a service), along with on-premise software license updates, product support and license support.

The change, precipitated by Oracle's relatively new practice of bundling of licenses for cloud with its legacy software offerings, provides even less visibility into the growth of two different business segments.

Analysts, however, emphasize that this growth came from licensing software — not cloud services — and ultimately does "nothing to dispel the notion that Oracle is still behind in its quest to become a major cloud-computing competitor."[14]

Another analyst echoed a similar sentiment with the following comment: "Recent reports of Cloud layoffs, combined with the MSFT partnership, potentially indicate that ORCL is continuing to face an uphill battle in its broader cloud strategy and business model transition."[15]

> Unless it quickly gains a foothold or changes strategy, Oracle is at substantial risk of being left behind by the rapid consolidation of the cloud industry.

By way of contrast, at least one report says Amazon and Microsoft "have taken to breaking out more details about their respective cloud services over the last couple of years and have been rewarded richly by investors for it."[10]

This change in reporting prompted a range of negative responses from financial analysts, many of whom speculated that Oracle may be "trying to hide some sort of weakness in the cloud-computing story," especially because "slowing cloud growth had hurt the stock in previous quarters."[11]

In particular, some suspected that "Oracle missed its cloud bookings achievement goals" and "is rapidly losing share in the most interesting areas (PaaS/IaaS) of infrastructure software."[12]

Those calling the reporting changes a red flag argued that Oracle's cloud will keep it from achieving "new, more ambitious financial goals."[13]

Fast-forward to the present day, and Oracle appears to have made up some lost ground in the market in two respects.

In June Oracle announced an interoperability partnership with Microsoft through which Oracle cloud customers can interact seamlessly with Azure cloud offerings and vice versa.

Oracle also announced a higher-than-anticipated increase in revenue June 19, reporting about a 1% overall increase from the previous year to $11.14 billion.

Between cloud services and license support, Oracle's revenues grew 0.5% to $6.79 billion.

While it is too early to early to understand the impact of the partnership, it appears to represent a "concession by Oracle that it won't be able to compete against Amazon Web Services alone."[16]

WHAT DOES THIS MEAN FOR ORACLE LICENSEES?

Despite these setbacks, we expect Oracle to remain focused in its effort to emerge as the victor in the cloud wars.

If Oracle's well-known tactics and business-is-war mentality were not already cause for concern, its recent market slip certainly should be.

And, as its problems mount, licensees should anticipate that Oracle will continue mining its licensees as its greatest source of potential cloud revenue and growth.

As Oracle grows desperate, it is only a matter of time before its licensees begin to feel the impact of its cloud anxiety.

We anticipate, at minimum, an increase in the sheer quantity of software audits.[17]

Oracle is reported to have hired new licensing personnel in Romania to handle an increase in audits, including audits of smaller licensees that may have previously been overlooked in the past.

We also anticipate that Oracle will double down on its standard allegations of under-licensing and increasingly make audit resolution difficult.

In addition, Oracle is likely to continue to expand the scope of audits, including by increasing its focus on Java users — who may be shocked to learn that they may owe Oracle for their use of Java, which is widely believed across the software sector to be free.[18]

Nor is Oracle's new partnership with Microsoft likely to reduce the increasing threats of onerous software audits, as Microsoft is even more notorious for its audit-as-revenue strategies.

With Java audits ramping up and Oracle's investment in an audit organization with instructions to more aggressively audit all licensees, Oracle shows no signs of slowing down.

Now is the time for licensees to review their software licenses and deployment and to arm themselves with the right experts and advocates — those who will navigate Oracle's treacherous terrain and brave the battleground on behalf of licensees. WJ

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[2] *Gartner Forecasts Worldwide Public Cloud Revenue to Grow 17.5 Percent in 2019*, Gartner (Apr. 2, 2019), https://gtnr.it/2FL5FVv; Dan Woods, *Oracle's Strong Arm Cloud Tactics — The 2018 Model,* Forbes (May 21, 2018), https://bit.ly/307GIg6.

[3] Bob Evans, *Shakeout in the Cloud: Success of Salesforce, Oracle, SAP and Workday Triggering SaaS Consolidation,* Forbes (June 12, 2018), https://bit.ly/2OZVVyC; *Gartner Forecasts Worldwide Public Cloud Revenue to Grow 21.4 Percent in 2018,* Gartner (Apr. 12, 2018), https://gtnr.it/2N5HJCY.

[4] Beth Kindig, *Oracle hit from all sides: IaaS cloud and programmatic,* Seeking Alpha (June 25, 2018), https://bit.ly/2KLLfOR.

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[6] *Id.*

[7] Powell, *supra* note 1.

[8] Dan Gallagher, *Oracle's Cloud Thickens,* Wall St. J. (June 20, 2018), https://on.wsj.com/2yZZqKq.

[9] *Id.*; Luke Lango, *Oracle Corporation Stock Has Further to Fall Before It Is Priced Right,* Yahoo! Fin. (June 22, 2018), https://yhoo.it/2TAsoKk.

[10] Emily Bary, *Oracle stock takes a beating as lack of cloud numbers questioned,* MarketWatch (June 20, 2018), https://on.mktw.net/2N5cpmn; Gallagher, *supra* note 8.

[11] Anders Bylund, *Here's What's Wrong with Oracle Corp. Today,* The Motley Fool (June 20, 2018), https://bit.ly/3068Wrl.

[12] *Id.*

[13] *Id.*

[14] Asa Fitch, *Oracle's Revenue Beats Targets in Latest Quarter,* Wall St. J. (June 19, 2019), https://on.wsj.com/33DzCBVhttps://cnb.cx/2IVbSQf; *Oracle up as it beats expectations,* CNBC (June 19, 2019).

[15] *Id.*

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[17] Fredrik Filipsson, *2019 is the Year for Java and Oracle,* Palisade Compliance (Feb. 19, 2019), https://bit.ly/2NaSnqV.

[18] Julie Bort, *Oracle is starting to fine customers who thought they were using free Java software,* Bus. Insider (Dec. 19, 2016), https://bit.ly/2OXEv5B; Art Beeman, Joel Muchmore & Molly Jones, *Understanding Your Oracle/Java License — Not Everything is as it Seems,* Bloomberg Law (Sept. 17, 2018), https://bit.ly/2YSqScD.

PATENT

Patent lawyer's 3-year suspension upheld by Federal Circuit

(Reuters) – A federal appeals court on Nov. 20 upheld a three-year license suspension handed down to a patent lawyer found to repeatedly practice in jurisdictions where he was not authorized.

Piccone v. U.S. Patent and Trademark Office et al., No. 2019-1471, 2019 WL 6170835 (Fed. Cir. Nov. 20, 2019).

Affirming a district court judge, the U.S. Court of Appeals for the Federal Circuit said the U.S. Patent and Trademark Office did not act arbitrarily and capriciously when it suspended solo practitioner Louis Piccone from practicing before the agency for three years.

Piccone, a former resident of Western Massachusetts now living in Canada, said in an email that U.S. law clearly authorized his actions.

"The Court of Appeals for the Federal Circuit clearly misinterpreted both the facts and the law in this case, in a manner inconsistent with its obligations to the American people in general and to me specifically," Piccone said.

Piccone added: "For example, approximately half of the charges against me were for the unauthorized practice of law for conduct occurring in Massachusetts when I prepared complaints for pro se litigants. Those actions were completely authorized by the plain meaning of the law as explained in my briefs."

Pennsylvania is the only state where Piccone is licensed to practice. In 1997, he registered as an attorney authorized to practice before the PTO.

In 2011 and 2012, Piccone was on three occasions suspended by the Pennsylvania bar for either not paying bar membership fees or not complying with continuing legal education requirements.

Around that time, Piccone advised parties to civil lawsuits outside Pennsylvania.

Some judges in those cases, which generally did not involve intellectual property matters, censured Piccone for neglecting clients and for failing to seek pro hac vice admission, according to the Federal Circuit decision.

In 2013, Piccone worked on a trademark application on behalf of Lawless America Association, an organization that says it exposes judicial and government corruption, according to the Federal Circuit decision.

In 2014, the PTO initiated disciplinary proceedings against Piccone. In 2016, an administrative law judge found he had violated ethics rules by practicing law in jurisdictions in which he was neither barred nor admitted pro hac vice, practicing law while his sole bar license was suspended, and missing court deadlines on behalf of his clients.

A federal judge in Virginia upheld the PTO's suspension in 2018. *Piccone v. U.S. Patent and Trademark Office*, No. 18-cv-307, 2018 WL 5929631 (E.D. Va. Nov. 13, 2018).

Piccone raised various arguments on appeal to the Federal Circuit, including that Massachusetts law allowed him to assist pro se litigants.

The Federal Circuit rejected that argument, saying "Mr. Piccone's argument that he was merely assisting a person authorized to appear before the court, where the PTO found Mr. Piccone was acting as an attorney for the plaintiffs in the Massachusetts cases, fails." WJ

(Reporting by Jan Wolfe)

Attorneys:
Petitioner-appellant: Louis A. Piccone, Pro se, Hawkesbury, ON

Respondent-Appellee: Kimere J. Kimball and G. Zachary Terwilliger, U.S. Attorney's Office, Alexandria, VA

Related Filings:
Federal Circuit opinion: 2019 WL 6170835
District Court opinion: 2018 WL 5929631

Wargaming, Activision Blizzard defeat attack by GAT in Federal Circuit

(Reuters) – A 2010 patent on a system of syncing the rewards earned by online-game characters with those earned by their virtual steeds, robots and pets was obvious in light of the 2003 handbook for the role-playing dice game Dungeons & Dragons, a federal appeals court held Nov. 19.

Game & Technology Co. Ltd. v. Wargaming Group Ltd. et al., No. 2019-1171, 2019 WL 6121449 (Fed. Cir. Nov. 19, 2019).

The U.S. Court of Appeals for the Federal Circuit affirmed a 2018 ruling by the U.S. Patent Trial and Appeal Board, which invalidated a patent that South Korea-based Game and Technology Co. Ltd. had accused Activision Blizzard Inc.'s World of Warcraft and Wargaming Group Co.'s World of Tanks and World of Warplanes of infringing in 2015. *Wargaming Group Ltd. v. Game & Tech. Co. Ltd.*, IPR2017–01082, 2018 WL 4278986 (P.T.A.B. Sept. 7, 2018).

The Federal Circuit also affirmed that Wargaming's 2017 petition for inter partes review was timely because the company had never been properly served with GAT's 2015 complaint — and took pains to address confusion the PTAB judges had expressed about whether they, or the district court, should make that determination.

Because the PTAB's authority to institute an IPR depends on whether the petitioner was served with a complaint within the prior year, the board "must necessarily determine whether service of a complaint alleging infringement was properly effectuated" and "cannot strictly rely on a district court's determination of proper service," U.S. Circuit Judge Kara Farnandez Stoll wrote for the three-judge panel. She was joined by U.S. Circuit Judges Timothy Dyk and S. Jay Plager.

"Fighting against the unfair onslaught of the PTAB is futile," Jospeh Zito of DNL Zito, lead counsel for GAT, wrote in a one-line response to a request for comment.

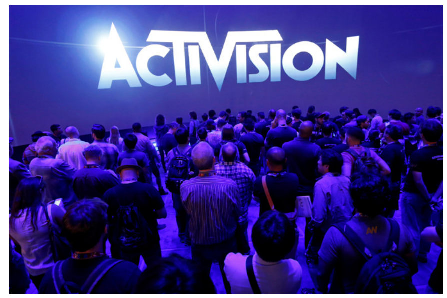
Cyprus-based Wargaming's attorney, Harper Batts of Sheppard Mullin Richter & Hampton, said the Federal Circuit's decision "is significant" because it clarifies the PTAB's power to resolve disputes over service in the same way a district court would do. The issue of service "does not commonly percolate up to the appellate level," Batts noted.

Santa Monica, California-based Activision Blizzard's attorneys at Shook, Hardy & Bacon did not immediately respond to requests for comment.

GAT initially sued Wargaming and Activision Blizzard in the U.S. District Court for the Eastern District of Texas in December 2015. The cases were consolidated and transferred to federal court in Los Angeles in 2016. *Game & Tech. Co. v. Blizzard Ent'mt Inc.*, No. 16-cv-6499, *case transferred* (C.D. Cal. Aug. 30, 2016).

GAT alleged that Activision Blizzard and Wargaming infringed a patent on the way players accumulate extra powers, or "abilities," through the characters they control online. The patent described a "system of interoperability," in which abilities bestowed on the player's main character (the "pilot") would have a corresponding effect on the pilot's associated "units" (such as an animal mount, pet or robot), and vice versa.

GAT attempted to serve Wargaming's registered agent in the United Kingdom and



REUTERS/Jonathan Alcorn

by mail to the company in Cyprus, but both attempts suffered from procedural flaws.

Wargaming informally agreed to waive the defects and entered an appearance in the litigation in March 2016. Nearly a year later, it filed its petition for inter partes review, which Activision Blizzard joined.

GAT objected that the IPR petition was untimely. The PTAB instituted review without resolving that question, but later ruled in Wargaming's favor on timeliness and on the merits.

The Federal Circuit said Nov. 19 that "issues related to the time bar should ordinarily be decided prior to institution," but declined to find that the PTAB's failure to do so constituted error in this instance. WJ

(Reporting by Barbara Grzincic)

Related Filings:
Federal Circuit opinion: 2019 WL 6121449
PTAB 2018 opinion: 2018 WL 4278986
PTAB 2017 opinion: 2017 WL 4476742

Generic drug group sues over California law combating 'pay-for-delay' deals

(Reuters) – A trade group for generic drugmakers has filed a lawsuit challenging California's recently enacted law that bars manufacturers of brand-name drugs from paying other companies to delay releasing generic drugs to resolve patent litigation.

Association for Accessible Medicines v. Becerra, No. 19-cv-2281, complaint filed, 2019 WL 6001779 (E.D. Cal. Nov. 12, 2019).

The Association for Accessible Medicines in a lawsuit filed in federal court in Sacramento, California, on Nov. 12 argued that the nation's first-of-its-kind law to combat so-called pay-for-delay settlements is unconstitutional.

The lawsuit, filed by Matthew Rowen and Jay Lefkowitz of Kirkland & Ellis, names as a defendant California Attorney General Xavier Becerra, in his capacity as the official who would enforce the law.

The lawsuit seeks an injunction barring enforcement of the law, which takes effect Jan. 1, and a declaration that it is invalid.

Becerra, a Democrat who sponsored the legislation behind the law, in a statement Nov. 14 defended the law as "important to deterring collusive backroom deals between pharmaceutical companies."

Pay-for-delay settlements, also called "reverse payment settlements," occur when brand-name drugmakers settle claims against generic companies they have accused of infringing their drugs' patents by paying them to delay releasing cheaper, generic versions.

The accords have long been the subject of antitrust litigation by private plaintiffs and the U.S. Federal Trade Commission, which in a 2010 study concluded they increase consumers' prescription drug costs by at least $3.5 billion annually.

In 2013, the Supreme Court ruled in a lawsuit the FTC brought against Actavis Inc. that reverse payments by brand-name drug manufacturers can violate antitrust laws. *Fed. Trade Comm'n v. Actavis Inc.*, 570 U.S. 136 (2013).

But the top court did not rule that they always are anti-competitive.

The California law goes further. AB 824, a bill signed into law Oct. 7 by Gov. Gavin Newsom, a Democrat, prohibits pay-for-delay agreements between brand-name and generic drug manufacturers by making them presumptively anticompetitive.

In its lawsuit, AAM, whose members include Teva Pharmaceuticals Industries Ltd. and Mylan NV, argued that the law is inconsistent with the standards established by the Supreme Court for determining whether patent litigation settlements are permissible.

It argued the law violates the U.S. Constitution's commerce clause by allowing the state to regulate patent settlements that are negotiated, signed and entered into outside of the state's borders, even when the companies are not based in California.

The trade group also argues the state's law is preempted by federal law as it undermines the rights of drugmakers conferred under federal patent law to grant exclusive licenses to their products and laws governing the market entry of generic drugs.

"AB 824 therefore stands as an obstacle to the accomplishment and execution of the full purposes and objectives of federal law, and is preempted as a result," AAM's lawyers wrote.

The lawsuit also challenged the "extremely severe" fines that companies face for violating the law — $20 million or three times the value a company receives from a settlement, whichever is greater.

AAM in its lawsuit said the fines violated the U.S. Constitution's Eighth Amendment prohibition on excessive fines that are disproportionate to the underlying conduct. WJ

(Reporting by Nate Raymond)

Attorneys:
Plaintiff: Matthew D. Rowen, Kirkland & Ellis, Washington, DC; Jay P. Lefkowitz, Kirkland & Ellis, New York, NY

Related Filings:
Complaint: 2019 WL 6001779
Supreme Court opinion: 570 U.S. 136

Cisco asks justices to invalidate SRI's computer surveillance patents

By Patrick H.J. Hughes

Cisco Systems Inc. is asking the U.S. Supreme Court to invalidate a pair of computer network surveillance patents Cisco had allegedly infringed, saying the test for determining patentability was misapplied.

Cisco Systems Inc. v. SRI International Inc., No. 19-619, petition for cert. filed, 2019 WL 6045404 (U.S. Nov. 8, 2019).

In its certiorari petition, Cisco says a jury should not have found the company liable for millions of dollars in damages for infringing SRI International Inc.'s patents because they "recite only the abstract idea of collecting and analyzing data."

Cisco is asking the high court to review a split decision by the U.S. Court of Appeals for the Federal Circuit that upheld the validity of SRI's patents. *SRI Int'l Inc. v. Cisco Sys. Inc.*, 930 F.3d 1295 (Fed. Cir. 2019).

Cisco says approving SRI's patents conflicts with the Supreme Court's holding in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. 208 (2013), and the Federal Circuit's own precedent in *Electric Power Group LLC v. Alstom SA*, 830 F.3d 1350 (Fed. Cir. 2016).

The high court in *Alice* established a patent-eligibility test that requires more than the mere addition of a computer to a process to make an otherwise unpatentable invention patentable.

The Federal Circuit in *Electric Power* said an invention that merely applies the generic steps involved in collecting and analyzing data to a power grid is not eligible for patentability.

"A holding that the basic concept of collecting and analyzing data is patentable would grant a monopoly on some of the basic 'building blocks' that allow computer networks to grow, … hindering innovation," the petition says.

ARE THE PATENTS ABSTRACT?

SRI owns U.S. Patent Nos. 6,484,203 and 6,711,615, which are intended to reduce a computer network's susceptibility to attacks from hackers and other security threats.

SRI sued Cisco in 2013 in the U.S. District Court for the District of Delaware, claiming Cisco's intrusion prevention and remote management systems infringed both patents.

Cisco countered by claiming the patents were invalid as abstract under Section 101 of the Patent Act, 35 U.S.C.A. § 101, because human beings could perform each step of the process involved in protecting a computer from hacking threats.

U.S. District Judge Sue L. Robinson rejected Cisco's invalidity argument, saying "an invention is not abstract simply because a human being could perform part of the process." *SRI Int'l Inc. v. Cisco Sys. Inc.*, 179 F. Supp. 3d 339 (D. Del. 2016).

After a 2016 jury awarded nearly $24 million, Judge Robinson doubled the damages and awarded nearly $10 million in attorney fees and costs after finding Cisco willfully infringed SRI's patents. *SRI Int'l Inc. v. Cisco Sys. Inc.*, 254 F. Supp. 3d 680 (D. Del. 2017).

On appeal, Cisco persuaded the Federal Circuit to reject Judge Robinson's damages ruling on the ground that there was insufficient evidence to invoke willfulness.

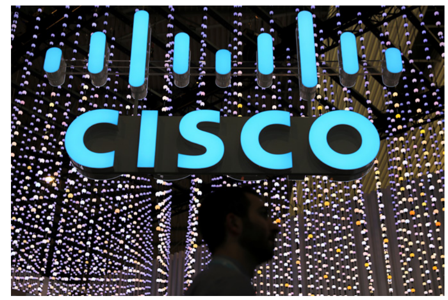
However, the panel affirmed the validity ruling. "This is not the type of human activity that Section 101 is meant to exclude," U.S. Circuit Judge Kara F. Stoll wrote for the majority.

U.S. Circuit Judge Alan D. Louie dissented, comparing SRI's patents to the one in *Electric Power*, a decision the judge said established that "result-focused, functional claims that effectively cover any solution to an identified problem, like those at issue here, frequently run afoul of *Alice*."

ELECTRIC POWER RULE

Cisco says the case is an excellent vehicle for the high court to refine the scope of the *Alice* test.

Because the Federal Circuit handles all patent appeals, it is "virtually impossible" for there to be a circuit split on this issue, but Cisco notes the "intracircuit split."



REUTERS/Sergio Perez

In addition, Cisco says the high court could relieve some of the confusion patent examiners have experienced trying to "draw the line" between the Federal Circuit's *Electric Power* decision and the one over SRI's patents.

The high court should recognize the "*Electric Power* rule," which decisively establishes that the mere collecting and analyzing of data are abstract ideas, Cisco says.

Acknowledging the *Electric Power* rule would give inventors clarity and the freedom to create new technologies that protect computer networks, Cisco says. WJ

Attorneys:
Petitioner: Thomas G. Sprankling, Wilmer Cutler Pickering Hale and Dorr, Palo Alto, CA; William F. Lee, Lauren B. Fletcher and Andrew J. Danford, Wilmer Cutler Pickering Hale and Dorr, Boston, MA

Related Filings:
Certiorari petition: 2019 WL 6045404
Federal Circuit opinion: 930 F.3d 1295
2017 Delaware District Court opinion: 254 F. Supp. 3d 680
2016 Delaware District Court opinion: 179 F. Supp. 3d 339
Complaint: 2013 WL 4857876

See Document Section A (P. 19) for the petition.

Abbott paid $57 million in fraudulent patent royalties, suit says

By Nick Wicker

Abbott Cardiovascular Systems Inc. is seeking millions in repayment from inventor Robert Fischell and his family, claiming they knowingly collected royalties from heart stents that used an invalid patent's technology.

Abbott Cardiovascular Systems Inc. v. Fischell et al., No. 19-cv-19824, complaint filed, 2019 WL 5705025 (D.N.J. Nov. 4, 2019).

In a complaint filed Nov. 4 in the U.S. District Court for the District of New Jersey, Abbott alleges the Fischells knew they had fraudulently collected over $57 million since 2003 and must repay their ill-gotten gains.

The company says that in a separate case, the family admitted they did not invent key aspects of the stent patent designed to expand in the coronary artery to remedy life-threatening blockages.

The defendants had "affirmative duty of candor and good faith, which includes a duty to disclose all information known to each of them to be material to patentability," the complaint says.

Given this admission, the family's licensing of the stent patent to Abbott constitutes common law fraud, the complaint says.

Abbott also accuses Robert, David and Tim Fischell of fraudulent inducement.

FISCHELLS ASSERT CLAIM TO PATENT

In 2003 Johnson & Johnson subsidiary Cordis Corp. told Abbott it owned U.S. Patent No. 6,547,817 for an expandable stent, according to Abbott's complaint.

The technology had been used for the Fischells' heart stent since 1998 and the two companies entered royalty negotiations that ended in 2004, the lawsuit says.

Robert Fischell and his sons submitted the patent application for a "stent having a multiplicity of closed circular structures" in 1994, the complaint says. The Fischells also applied for nine other continuation patents, according to the suit.

The U.S. Patent and Trademark Office issued the '817 patent to the Fischells' company IsoStent in 2003 and IsoStent assigned it to Cordis at that time, the complaint says.

The '817 patent describes the stent as one that is inserted into a coronary artery before oval segments called longitudinals unfold into rigid circles to hold the artery open.

In 2002 IsoStent sued multiple defendants in what the complaint calls the "California trade secret litigation," which did not involve Cordis or Abbott.

Abbott's complaint says that during this litigation, Robert Fischell told the court his patent didn't include the same type of undulating longitudinals or predeployment forms included in certain stents that shared the attributes of Abbott stents.

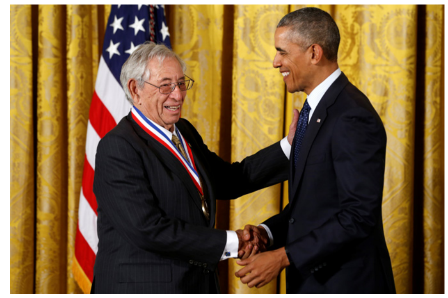
"At the time we made that [patent application] no one was doing that. We weren't doing it. We didn't show [how to put the features together]. And in my opinion, it is not obvious how you fit that in," Robert Fischell testified at the time, according to the complaint.

Abbott's stents were not directly mentioned in that litigation but were the subject of Cordis royalty negotiations that were going on at the same time, the complaint says.

Abbott says IsoStent sought a confidentiality order to keep the family's testimony about the patent from the public and allow them to profit from royalties at Abbott and other manufacturers.

COMMON LAW FRAUD AND FRAUDULENT INDUCEMENT

Abbott claims the Fischells are guilty of common law fraud because they failed in their duty to share information exposed in the California trade secret litigation.



REUTERS/Jonathan Ernst

U.S. President Barack Obama awards the National Medal of Technology and Innovation to Robert Fischell in 2016. Abbott Cardiovascular Systems Inc. claims Fischell and his family have fraudulently profited from royalties on an invalid heart stent patent.

The Fischell family and IsoStent had an "affirmative duty of candor and good faith, which includes a duty to disclose all information known to each of them to be material to patentability," the complaint says.

According to the complaint, the Fischells purposefully made false representations and lied by omission.

The family also fraudulently induced Abbott and other manufacturers to pay phony royalties through their manipulations, the complaint says, causing the $57 million in damages.

The company seeks actual damages, punitive damages, attorney fees and a permanent injunction against further royalty claims by the family after a jury trial. WJ

Attorneys:

Plaintiff: George C. Jones and Thomas R. Curtin, McElroy, Deutsch, Mulvaney & Carpenter, Morristown, NJ

Related Filings:

Complaint: 2019 WL 5705025

See Document Section B (P. 31) for the complaint.

Judge dismisses IP firm's suit over phony 'publication' of trademarks

By John Fitzgerald

An intellectual property law firm's suit against a company it accused of pretending to be a government agency to collect unnecessary "publication" fees from trademark applicants will not go forward, a federal judge has ruled.

LegalForce RAPC Worldwide PC v. Glotrade et al., No. 19-cv-1538, 2019 WL 6036618 (N.D. Cal. Nov. 14, 2019).

U.S. District Judge Lucy H. Koh of the Northern District of California said in a Nov. 14 order granting defendant WTMR LLC's motion to dismiss that the suit failed to show the Hungary-based company had made enough contacts in the state to be sued there.

LegalForce RAPC Worldwide PC said WTMR was sending unsolicited offers to list trademarks in a publication in exchange for cash. The offers were unnecessary because they duplicate a service provided at no charge by the U.S. Patent and Trademark Office.

According to Judge Koh's order, LegalForce, which has offices in Arizona and California, said although WTMR was a Hungarian business that listed a Washington, D.C., address, it had tied itself to the California forum by soliciting state residents.

The judge said LegalForce never alleged that any of those California residents were its clients. While the law firm claimed it had received solicitations itself, it never specified whether they came to its Arizona or its California office, the judge said.

'PROLIFERATING TRADEMARK SCAMS'

LegalForce specializes in trademark and patent preparation and prosecution, copyright registration and international trademark and patent filings.

The firm said it filed its lawsuit in response to "proliferating trademark scams." The suit cites the International Trademark Association, which explains on its website how perpetrators attain publicly available names and addresses of trademark filers, then send bulk mail or emails containing official-looking forms that request a fee to publish the trademark.

INTA also says some scams offer legitimate services but under false pretenses, such as offering a trademark watch service under a name that sounds like a U.S. agency but isn't.

LegalForce claims it suffered the loss of "significant business" because of the scam.

MOTION TO DISMISS

LegalForce originally named 18 defendants in its March complaint. The company later voluntarily dismissed charges against nine of the defendants. Six more were served but did not appear, resulting in a default judgment against them. One defendant filed an answer.

Another defendant filed a motion to dismiss based on personal jurisdiction, which the court granted Oct. 23. *LegalForce RAPC Worldwide PC v. Glotrade*, No. 19-cv-1538, 2019 WL 6036618 (N.D. Cal. Oct. 23, 2019).

The last defendant, WTMR, filed the instant motion to dismiss in July, claiming lack of personal jurisdiction under Federal Rule of Civil Procedure 12(b)(2).

Judge Koh wrote that the defendant must have certain minimal contacts in the state "such that the defendant 'should reasonably anticipate being haled into court there.'" *Sher v. Johnson*, 911 F.2d 1357 (9th Cir. 1990) (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980)).

In determining that LegalForce never specified whether any of the California residents who received the offer were its clients, nor whether the offer came to LegalForce's offices in California or Arizona, the judge called LegalForce's defect "fatal."

Without a link to the forum for the lawsuit, Judge Koh granted the motion to dismiss for lack of personal jurisdiction.

The judge did, however, grant LegalForce leave to amend its complaint. WJ

Related Filings:
Order: 2019 WL 6036618

See Document Section C (P. 40) for the order.

Geico says California auto body shop using logos without authorization

By Troy Sepion

Geico has claimed in a federal lawsuit that a Southern California auto body shop is infringing its trademark by using the insurance giant's logos on several exterior windows without authorization.

Government Employees Insurance Co. v. All Magic Paint & Body Inc., No. 19-cv-2143, complaint filed, 2019 WL 5849893 (C.D. Cal. Nov. 7, 2019).

The complaint, filed Nov. 7 in the U.S. District Court for the Central District of California, seeks declaratory and injunctive relief against All Magic Paint & Body Inc. for alleged violations of the Lanham Act.

TRADEMARKED LOGOS

Geico says it has spent hundreds of millions of dollars to promote its trademarked logos in television, online and print advertisements in the U.S.

Magic Paint has prominently displayed the blue, stylized version of the registered Geico logo in the windows of its body shop in Moreno Valley since the summer, the suit says. Geico says it has repeatedly asked Magic Paint to remove the logos, but the shop has not complied.

The insurer says the use of the logos has caused confusion among customers who have scheduled repairs at Magic Paint believing it to be affiliated with Geico.

Geico says Magic Paint's use of the logos also has diverted business from the insurer's Auto Repair Xpress facilities.

Geico says it has spent hundreds of millions of dollars to promote its trademarked logos in television, online and print advertisements.

The insurer says the suit is necessary to protect its trademark rights, prevent further confusion in the marketplace and prevent further damage to the Auto Repair Xpress shops.

LANHAM ACT VIOLATIONS ALLEGED

Geico claims Magic Paint's use of the logo is a trademark infringement under Section 32 of the Lanham Act, 15 U.S.C.A. § 1114, that has caused and will continue to cause irreparable harm.

The complaint says Magic Paint's use of the logos is a false designation of origin under Section 43(a) of the Lanham Act, 15 U.S.C.A. § 1125(a), because it wrongly suggests the body shop is associated with or endorsed by Geico.

The insurer also claims the body shop's use is a "willful and fraudulent attempt to trade on the extraordinary goodwill and fame" of Geico's logo for Magic Paint's commercial advantage "without regard for the inevitable dilution" of the trademarks, in violation of Section 43(c) of the Lanham Act, 15 U.S.C.A. § 1125.

Geico seeks an injunction against Magic Paint to remove the displays of its logos at the shop for any commercial purposes. The suit also seeks costs and attorney fees. WJ

Attorneys:
Plaintiff: Anne M. Mortimer and Jason J. Kim, Hunton Andrews Kurth LLP, Los Angeles, CA

Related Filings:
Complaint: 2019 WL 5849893

Qatar's tourism department grabs visitqatar.com from travel agent

By Patrick H.J. Hughes

Qatar's national tourism department has persuaded the World Intellectual Property Organization to transfer visitqatar.com from a travel agent claiming to have a legitimate right to use the domain for a travel reservation website.

Qatar National Tourism Council v. Mehdiyev, No. D2019-1758, 2019 WL 6115178 (WIPO Arb. Nov. 1, 2019).

The Qatar National Tourism Council, the Middle Eastern country's tourism authority, said its unregistered rights to the term "Visit Qatar" trumped the U.S. trademark registration that the travel agent holds for the same phrase, according to the decision of the sole panelist appointed by the WIPO Arbitration and Mediation Center.

The WIPO panel agreed with the government agency, saying the trademark was registered to bolster the registration of the domain name, which is not a legitimate purpose under the Uniform Domain Name Dispute Resolution Policy, commonly called UDRP.

The panel also found the disputed domain's registrant, Azerbaijan resident Teymur Mehdiyev, had demonstrated bad faith in connection with email offers to sell visitqatar.com.

GEOGRAPHIC IDENTIFIER

The Tourism Council filed its complaint with WIPO in July, according to the decision.

Under the UDRP, a complainant seeking a transfer must show it has rights to a trademark that is identical or confusingly similar to the disputed domain name, and that the registrant is using the domain in bad faith for a nonlegitimate purpose.

The panel recognized the Qatar government's trademark rights in "Visit Qatar" despite not having registered the phrase, but said this dispute raised "difficult considerations" with respect to the phrase as a geographic identifier.

For cases in which a party holds trademark rights to a geographic term with another term, that party might not prevail in showing confusing similarity with a domain name that included that combination, the panel said.

For this issue, the panel referred to the 2007 case *Wonderful Copenhagen Foundation v. Nya Destination Stockholm Hotell & Teaterpaket AB*, No. D2007-296, 2007 WL 1902394 (WIPO Arb. May 29, 2007).

In *Wonderful Copenhagen*, WIPO found a travel firm that had been marketing information and services for Denmark's capital, Copenhagen, lacked rights to the domain visitcopenhagen.com, even though the company used the "Visit Copenhagen" phrase significantly in advertisements.

That panel in *Wonderful Copenhagen* said there was no doubt that each word was descriptive and the combination had not been used for more than a generic invitation to visit the city.

Qatar's tourism authority had registered "Qatar" marks, though not in conjunction with the word "visit," but the panel still said the tourism council held trademark rights to the combination.

People often consider the word "visit" combined with a country name to be from an officially recognized government body, the panel said. And Qatar's tourism authority had used its "Visit" advertisement significantly on social media, where it appeared to consumers to be a brand for the government, the panel said.

Finding confusing similarity, the panel turned to whether Mehdiyev had a legitimate interest in the disputed domain.

The panel found that Mehdiyev registered a "Visit Qatar" mark in November 2017 merely to legitimize its 2016 purchase of the disputed domain.

While the disputed domain resolved to a website with legitimate travel reservation opportunities, the lack of any contact information demonstrated that the site "does not appear to be that of a bona fide established business," the panel explained.

The panel also found Mehdiyev tried to avoid any connection to offers coming from his place of business to sell the domain to Qatar Airways.

An offer to sell a domain often indicates that it is being used in bad faith, the panel said.

Because overwhelming evidence indicated that Mehdiyev had at least a tangential connection to such offers, the panel said his credibility was "stretched beyond breaking point" and found the Qatar tourism authority had met its burden under the UDRP. WJ

Related Filings:
Decision: 2019 WL 6115178

M&A company hits Facebook with defamation suit over user's posts

By Sanaa A. Ansari

Global mergers and acquisitions company America 2030 Capital Ltd. is suing Facebook for defamation and trademark infringement for publishing an unknown party's false statements about the firm along with its copyrighted photos.

America 2030 Capital Ltd. v. Doe et al., No. 19-cv-3140, complaint filed, 2019 WL 5728034 (D. Colo. Nov. 5, 2019).

Facebook published a post stating that the company promoted violence and hate and was a dangerous corporation that engaged in discrimination, according to the lawsuit American 2030 filed Nov. 5 in the U.S. District Court for the District of Colorado.

The complaint also names the unknown content creator as a John Doe defendant, saying that Facebook does not provide the poster's identity.

America 2030 is a conglomerate of corporations specializing in securities lending and stock loans, part of a global consortium of mergers and acquisitions companies.

The investment firm, with a registered agent in Colorado, maintains a Facebook page to engage with users and promote its work, the complaint says.

On Facebook, a user with the name @thevalsklarov posted that "America 2030 and his company are only concerned with manipulating people and stealing their hard-earned money," the suit says.

Val Sklarov is listed on Linkedin as the company's CEO.

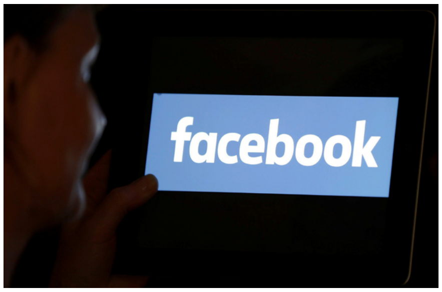
The anonymous contributor also used the trademarked name "America 2030 Capital Limited" and images from the plaintiff's website without permission, according to the complaint.

American 2030 says that after the statements, it received threats of violence from those who believed the company was dangerous.

It demanded that Facebook take down the copyrighted photos from the site, but the social media platform unreasonably delayed their removal, the complaint says.

Facebook is incentivized to publish "fake news" because it sensationalizes content in order to attract readers, the suit says.

Although Facebook claims it wants to combat fake news, it does nothing to remove or police such content, according to the complaint.



REUTERS/Regis Duvignau

America 2030 has requested the defamatory statements be retracted and that Facebook apologize.

The plaintiff demands a jury trial and seeks compensatory damages of more than $40 million and punitive damages in the amount of 5% of Facebook's market capitalization of $524 billion — more than $26 billion — as well as attorney fees and costs. WJ

Attorneys:
Plaintiff: Jaitegh Singh, Centennial, CO

Related Filings:
Complaint: 2019 WL 5728034

Q&A

CONTINUED FROM PAGE 1

online space led to third parties' registering available domain names corresponding to trademarks for illicit gain, effectively holding trademark owners ransom — a practice widely known as cybersquatting.

> Twenty years later, the UDRP remains a vital enforcement tool with global impact. Over time, it has proven sufficiently flexible to continue to address cybersquatting efficiently.

In reaction, with the approval of its member states, WIPO undertook an extensive international process of consultations, called the WIPO Internet Domain Name Process. Led by Gurry, WIPO proposed the UDRP to address the cybersquatting problem. Taking on the recommendations contained in the report of the WIPO Internet Domain Name Process, in 1999 the Internet Corporation for Assigned Names and Numbers board of directors adopted the UDRP.

As a consequence, all ICANN-accredited registrars feature the UDRP as part of their terms and conditions for the registration of domain names. In addition, registries of numerous country code top-level domains have adopted the UDRP or a UDRP variation for their national domains.

TR: Exactly how does this process work? For instance, how are the panelists picked for a particular dispute? Do panelists apply for such a prestigious position? Are they all trademark attorneys?

EW: The UDRP sets out the legal framework for the resolution of disputes asserted by a trademark owner against a domain name registrant over the abusive registration and use of the domain name.

The proceeding is held entirely online and takes some two months. Following what normally is one single round of pleadings (of limited size), WIPO appoints a panelist (or, if requested by a party, a three-member panel) to decide the case. Panel appointments take into account numerous criteria, including panelist availability, independence, experience, nationality and language(s).

The only available remedy which a panel can grant to a successful complainant is the transfer of the disputed domain name(s); in particular, there are no monetary damages.

For a complaint to succeed it must satisfy the following three-element test: the disputed domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; the respondent lacks rights or legitimate interests in the disputed domain name; and the disputed domain name has been registered and is being used in bad faith.

> Overall, the UDRP is considered to be a resounding success for all stakeholders, including for registrant parties who might otherwise become implicated in court litigation.

Many of the 500 WIPO panelists had applied for the position. While most are trademark attorneys, they have also attended WIPO workshops for focused training. Moreover, many take the opportunity to attend the annual WIPO panelists meeting, taking note of developments in practice and precedent, as well as WIPO's jurisprudential resources.

TR: Presenters at the conference in Geneva said the number of domain disputes has increased in recent years. What kinds of abuses do you see growing?

EW: The number of cases filed with WIPO has been growing almost steadily since the creation of the UDRP. In the last four years alone, WIPO domain name case filing has increased by about a third. In 2018, trademark owners filed a record 3,447 cases with WIPO, for a total of over 45,000 WIPO cases since 1999.

Cybersquatting practices have evolved over the years. Starting with infringing domain names matching third-party trademarks, cybersquatting now often includes terms additional to the trademarks, variations of the trademarks that may include typographical errors, or a character replaced by a graphically close different script. Many sites contain pay-per-click content, and there is an increase in the incidence of fraudulent uses like phishing and counterfeit sales (for example, offering fake medicines).

As observed by Gurry, "domain names involving fraud and phishing or counterfeit goods pose the most obvious threats, but all forms of cybersquatting affect consumers. WIPO's UDRP caseload reflects the continuing need for vigilance on the part of trademark owners around the world."

TR: WIPO's dispute resolution process for domain names operates outside of any court system. What happens when a WIPO decision conflicts with a court decision?

EW: The UDRP system is designed to leave open the option for either party to present the case to a competent court. While courts would not as such be bound by the UDRP and such court case would normally represent a de novo hearing under national law, in practice it is only in the rarest of instances that a party will indeed move beyond the UDRP and go to court, most likely because the chances that such court would disagree with the UDRP outcome are generally slim.

This is testimony to the fairness of the UDRP system but also serves as a reminder of the ongoing need for UDRP panelists to do proper justice to each case before them. A vital tool to assist the panelists as well as the parties in this regard is the WIPO Jurisprudential Overview, along with the WIPO Legal Index. The popular WIPO Overview, available online

Erik Wilbers is the director of the Arbitration and Mediation Center of the **World Intellectual Property Organization**. Before joining WIPO, he practiced with the law firm Clifford Chance, was on the legal staff of the Iran-United States Claims Tribunal and headed a division of the Compensation Commission of the United Nations Security Council. Wilbers also oversees the management of internet domain name cases filed with the WIPO Center by trademark owners from around the world.

for free, has become a globally authoritative representation of UDRP jurisprudence.

TR: What percentage of domain disputes end with a transfer request being denied? Is this percentage changing?

EW: The percentage of transfers granted by WIPO panelists has inched up in recent years. This is likely the result of WIPO case jurisprudence having become settled, which in turn makes the outcome of disputes that would be submitted to the UDRP predictable to a large degree.

In 2019, some 94% of cases decided by WIPO panelists resulted in the transfer of the disputed domain name to the complainant.

TR: Many potential changes to the UDRP process were discussed at the Geneva conference. What were some of these? Is there a possibility the UDRP might change?

EW: ICANN's planned review of the UDRP is leading various stakeholders to opine on what they see are potential improvements. In this context, the WIPO 20 Years UDRP conference held in Geneva featured a session in which WIPO panelists and further participants debated the merits of some of these wish lists.

Conference consensus was that more harm than good could arise from a review of the UDRP. Overall, the UDRP is considered to be a resounding success for all stakeholders, including for registrant parties who might otherwise become implicated in court litigation.

Indeed, UDRP review should not be taken lightly. An open-microphone process that would ignore the expertise that has created and maintains the UDRP can easily upset the balanced functioning of this globally unique mechanism.

TR: What advice would you give a party registering a domain? How about a domain registrant targeted in a UDRP complaint?

EW: Anyone registering a domain name would be well-advised to assess the likelihood of such registration or its intended use violating intellectual property rights held by others.

A respondent in a UDRP proceeding may wish to consult WIPO's jurisprudential resources to assess the strengths and weaknesses of its position. Incidentally, where such reflection would lead the respondent — as is often the case — to settle the dispute with the complainant before a panel is appointed, the WIPO Arbitration and Mediation Center undertakes a full refund of the panel's share of the paid filing fees. WJ

WIPO panelists reflect on their experiences

Scott Blackmer, InfoLawGroup LLP, Chicago

I was attracted from the beginning by the potential for online dispute resolution to deal with both online abuses and competing (often cross-border) claims involving trademarks. WIPO has been effective in streamlining the process and promoting transparency and consistency, to the benefit of rights holders, entrepreneurs and the domain industry. I have enjoyed being a part of this development since 2001, serving as a panelist in hundreds of UDRP and similar cases. (It has been easier to take on these cases as a partner in a boutique IT/IP law firm than it would have been when I was a partner at WilmerHale, simply because larger firms have more conflicts!) The narrow remedy of the UDRP and its kin — ordering the registrar to transfer or cancel the domain name — makes it possible to offer a swift and inexpensive online procedure. Similarly, the notice, takedown, and appeal procedures of the U.S. Digital Millennium Copyright Act and the EU eCommerce Directive provide quick remedies not involving money damages for copyright infringement (and sometimes other issues), although without a system for neutral online dispute resolution.

Deanna Wong, DeLab Consulting Ltd., Hong Kong

I became a panelist through working with another panelist on other IP matters and I was interested in how the process/procedure works. In particular, it was through my work on other IP that I realized the importance of the UDRP system and its efficiency. They were looking for Chinese speakers without Chinese nationality due to an inflex of cases. So I applied. It has been a rewarding exercise where we get to work with a network of professions contributing to the unique case law in this subject area.

CASE AND DOCUMENT INDEX

CISCO

2019 WL 6045404 (U.S.) (Appellate Petition, Motion and Filing)

Supreme Court of the United States.

CISCO SYSTEMS, INC., Petitioner,

v.

SRI INTERNATIONAL, INC., Respondent.

No. 19-619.

November 8, 2019.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

Petition for a Writ of Certiorari

Thomas G. Sprankling, Wilmer Cutler Pickering Hale and Dorr llp, 950 Page Mill Road, Palo Alto, CA 94304, (650) 858-6000.

William F. Lee, Lauren B. Fletcher, Andrew J. Danford, Wilmer Cutler Pickering Hale and Dorr llp, 60 State Street, Boston, MA 02109, (617) 526-6000, william.lee@wilmerhale.com.

***i** QUESTION PRESENTED

35 U.S.C. § 101 provides that a patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." However, this Court has held that § 101 " 'contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.' " *Alice Corp. Pty. Ltd. v. CLS Bank Int'l,* 573 U.S. 208, 216 (2014).

Respondent SRI owns two patents that are both directed to a "computer-automated method" of collecting and analyzing data in a computer network to detect suspicious activity.

The question presented is:

Whether patent claims that recite only the abstract idea of collecting and analyzing data are patent-ineligible under 35 U.S.C. § 101 and *Alice*.

***II CORPORATE DISCLOSURE STATEMENT**

Petitioner Cisco Systems, Inc. has no parent corporation. To the best of Cisco's knowledge and belief, and based on public filings with the Securities and Exchange Commission, as of November 8, 2019, no publicly held corporation owns 10% or more of Cisco's stock.

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***v** TABLE OF AUTHORITIES

CASES

***1** Cisco Systems, Inc. ("Cisco") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The court of appeals' order denying rehearing en banc (App. 3a-4a) is unreported but is available at 773 F. App'x 1090. The opinion of the court of appeals as modified on panel rehearing (App. 5a-35a) is reported at 930 F.3d 1295. The district court's opinion denying Cisco's motion for summary judgment of invalidity under 35 U.S.C. § 101 (App. 37a-84a) is reported at 179 F. Supp. 3d 339.

*2 JURISDICTION

A divided panel of the court of appeals issued its initial published decision on March 29, 2019. In response to Cisco's timely filed petition for panel rehearing and rehearing en banc, the panel issued a modified opinion on July 12, 2019. App. 1a-2a, 5a-35a. The panel and en banc court otherwise denied the petition. App. 3a-4a. On September 18, 2019, the Chief Justice extended the time for filing a petition for writ of certiorari to and including November 8, 2019. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

35 U.S.C. § 101 provides that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."

INTRODUCTION

A basic tenant of patent law is that " 'an idea ... itself is not patentable.' " *Alice Corp. Pty. Ltd. v. CLS Bank Int'l,* 573 U.S. 208, 218 (2014). For example, standalone abstract concepts like mathematical formulas, computer algorithms, and "longstanding commercial practice[s]" may not be protected under patent law. *Id.* at 216, 220. The reason for this longstanding rule is straightforward: allowing an individual to claim a monopoly over an abstract idea would remove the "basic tools of scientific and technological work" from the public domain, thus hindering the type of inventive creation that patent law is meant to promote. *See Association for Molecular Pathology v. Myriad Genetics, Inc.,* 569 U.S. 576, 589-590 (2013).

***3** A necessary corollary of this rule is that an abstract idea does not become patentable simply because the drafter "implements [the] principle in some specific fashion," *Parker v. Flook,* 437 U.S. 584, 593 (1978), such as via "a computerized method for using a mathematical formula," *Alice,* 573 U.S. at 222. In other words, "the prohibition against patenting abstract ideas 'cannot be circumvented by attempting to limit the use of the idea to a particular technological environment.' " *Bilski v. Kappos,* 561 U.S. 593, 610-611 (2010). Accordingly, this Court has held that "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Alice,* 573 U.S. at 223.

Relying on these principles, the Federal Circuit has repeatedly held that the basic act of collecting and analyzing data in conjunction with a generic computer system - without more - is unpatentable. Previously, the Federal Circuit has even recognized that limiting collecting and analyzing data to a particular context, such as a power grid, does not transform that act into patentable subject matter. *See Electric Power Grp., LLC v. Alstom S.A.,* 830 F.3d 1350, 1353-1354 (Fed. Cir. 2016).

In this case, however, a two-judge majority diverged from the basic rules laid down in cases like *Alice* and *Electric Power,* and upheld the validity of patent claims that merely describe collecting and analyzing data to detect suspicious activity on a computer network. App. 32a-35a (Lourie, J., dissenting). As Judge Lourie explained in dissent, the majority's opinion is impossible to square "with the claims in *Electric Power,*" which were "hardly distinguishable." *Id.*

***4** The majority's decision creates a significant intracircuit split within the Federal Circuit - the only appellate court that reviews patent rulings. Allowing two competing, published decisions on whether gathering and analyzing data constitutes an abstract idea to stand will breed confusion at all levels of the patent system.

In addition, the majority decision here cannot be reconciled with *Alice* and the rest of this Court's abstract idea doctrine. At their core, the asserted patent claims describe a concept that is as old as routine police work - monitoring an area for suspicious activity and reporting in on a regular basis to a superior who is looking at the bigger picture. Nothing in the patents-in-suit provides an inventive concept sufficient to transform the underlying abstract idea into patentable subject matter. And the distinctions relied upon by the majority decision to uphold the patents' validity - that the claimed abstract ideas may improve the functionality of a computer system and solve a purportedly important problem - have already been rejected by this Court's longstanding precedent.

Correcting the panel's retreat from *Alice*'s holding is particularly important because the kind of technology at issue in this case - computer networks - is thoroughly interwoven into modern society, controlling everything from power grids to smartphones to the international banking system. A holding that the basic concept of collecting and analyzing data is patentable would grant a monopoly on some of the basic "building blocks" that allow computer networks to grow, *see Alice,* 573 U.S. at 216, hindering innovation across a vast number of important sectors of the American economy.

This case is an excellent vehicle to take up the question presented and clarify that an abstract idea like ***5** collecting and analyzing data - standing alone - is not patentable simply because it purports to improve computer functioning or solve a technological problem. The question is cleanly presented, and resolving the question in Cisco's favor would end the litigation. Moreover, the question presented will not benefit from further consideration in the Federal Circuit, as that court has declined to take the question presented en banc despite Judge Lourie's well-reasoned dissent. App. 32a-35a.

The petition for certiorari should be granted.[1]

STATEMENT

A. The Technology

Computer networks are interconnected systems for sharing information. The connections allow users to easily access information, but they also make the networks susceptible to attacks from computer viruses and other security threats. To protect against such attacks, an entire industry has developed to design techniques for monitoring computer networks for suspicious activity - e.g., a password being incorrectly entered multiple times in rapid succession. *See* CAJA 1459. A computer ***6** that tracks network activity (called a network "monitor") can - like a police officer patrolling her normal beat - detect such patterns of suspicious activity and generate an alert so that a network administrator may address it. CAJA 5005-5007, 5019.

Some security threats to a network, however, may only be detected with information from multiple sources. For example, a hacker may try logging in to several computers in the same network. CAJA 5018. If the number of login attempts for each computer is below the threshold to trigger an alert, it may be difficult to detect such an attack by looking at only a single entry point to the network. CAJA 5018-5019. Similarly, a single police officer might not be able to detect the work of a serial criminal or a significant surge in gang activity if she works alone.

By the 1990s, techniques were developed to detect this kind of multi-pronged attack. *E.g.,* CAJA 5016-5026. For example, rather than relying on a single monitor, network security systems used multiple monitors at different locations to report suspicious activity to yet another monitor, which collected and evaluated that information. CAJA 5018, 2618-2619. Much like the members of a police department pooling information to give to a superior for analysis, this practice allows a network security system to recognize broader patterns of threatening activity.

B. The Patents

As relevant here, Respondent SRI International, Inc. ("SRI") owns two patents that describe essentially the same type of network security discussed above. *See* U.S. Patent Nos. 6,484,203 ("the '203 patent") and 6,711,615 ("the ' 615 patent"). In short, the asserted ***7** claims of the patents describe a method of monitoring a computer network, under which multiple monitors analyze network traffic for suspicious activity and report that activity to one or more "hierarchical monitors" that receive and analyze that data. CAJA 197-198, 218.

There is no dispute that hierarchical network monitoring - and, indeed, all elements of the asserted claims - were well known before the patents were filed. CAJA 1542-1544, 1553-1555 (named inventor testifying, for example, that using "hierarchical network monitors" was previously known and that "detecting suspicious network activity based on analysis of network traffic data ... was not a new concept"). The patents also make clear that the claimed invention does not require any specialized hardware, and can be carried out using "customary" computer components. CAJA 217 (14:50-57); App. 34a-35a (Lourie, J., dissenting) ("The specification further makes clear that the claims only rely on generic computer components, including a computer, memory, processor, and mass storage device.").

SRI has nevertheless tried to characterize its claims as a "very specific" way of performing hierarchical network monitoring. CAJA 1543-1544. This assertion is not borne out by the asserted claims themselves, which recite the abstract idea of analyzing information to generate reports of suspicious activity on a computer network. For example, representative claim 1 of the '615 patent states:

A computer-automated method of hierarchical event monitoring and analysis within an enterprise network comprising:

deploying a plurality of network monitors in the enterprise network;

***8** detecting, by the network monitors, suspicious network activity based on analysis of network traffic data selected from the following categories: { network packet data transfer commands, network packet data transfer errors, network packet data volume, network connection requests, network connection denials, error codes included in a network packet, network connection acknowledgments, and network packets indicative of well-known network-service protocols} ;

generating, by the monitors, reports of said suspicious activity; and

automatically receiving and integrating the reports of suspicious activity, by one or more hierarchical monitors.

CAJA 218 (15:2-21).

Notably, the asserted claims do not identify any requirement for *how* the "plurality of network monitors" detect suspicious activity. Nor do they contain details regarding what those network monitors do with that information other than "generating ... reports" and "automatically receiving and integrating the reports." As SRFs counsel summarized the patents-in-suit during closing argument, they merely claim:

> Software and/or hardware that can collect, analyze and/or respond to data. What kind of software? Doesn't matter. What kind of hardware? Doesn't matter. How does it have to collect the data? I mean, obviously, it has to come from network traffic. That's not disputed. ***9** Beyond that, does it have to collect it in a special way? Doesn't matter.

CAJA 2934-2935.

C. The Proceedings Below

SRI filed this lawsuit in the District of Delaware in September 2013. After years of litigation, the district court rejected Cisco's motion for summary judgment of invalidity under 35 U.S.C. § 101 just three weeks before trial. *See* App. 37a-84a.[2]

The district court applied the framework laid out in *Alice,* considering first whether the claims are "directed to" an abstract idea and, if so, whether the claims nevertheless include an "inventive concept" that "is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.' " *Alice,* 573 U.S. at 217-218; *see also* App. 44a-45a.

As to the first step, the district court recognized that "computer-implemented patents generally involve abstract ideas" because "computer software comprises a set of instructions." App. 46a. Still, it held that the asserted claims at issue went beyond an abstract idea, as they were " 'necessarily rooted in computer technology to overcome a problem specifically arising in the realm of networks.' " App. 51a. On step two, the district court concluded that the claims contained adequate ***10** detail to "sufficiently delineate 'how' the method is performed to 'improve the functioning of the computer itself/ thereby providing an inventive concept." App. 51a-52a. The court, however, did not point to anything in the patents that actually explains how the data must be collected or analyzed.

The jury ultimately found both that Cisco had infringed the asserted patents and that the patents were not invalid. CAJA 104-111. The jury awarded SRI nearly $24 million in damages. CAJA 111.

On appeal, a divided panel of the Federal Circuit affirmed the district court's § 101 ruling. The panel majority (Judge Stoll, joined by Judge O'Malley) acknowledged that the claims merely "recite[] using network monitors to detect suspicious network activity ..., generating reports of that suspicious activity, and integrating those reports using hierarchical monitors." App. 13a. Nevertheless, the majority concluded that these generic steps were "an improvement in computer network technology" that "solve[s] a specific problem in the realm of computer networks" - i.e., "providing a network defense system that monitors network traffic in real-time to automatically detect large-scale attacks." *Id.* Based on that understanding, the majority held that the claims are not directed to an abstract idea under *Alice* step one and declined to address *Alice* step two. App. 12a-15a. Like the district court, the panel majority notably did not identify anything in the asserted claims that identifies how data must be collected or analyzed.

Judge Lourie dissented. He explained that the claims at issue are "clearly abstract," as they "recite nothing more than deploying network monitors, detecting suspicious network activity, and generating and ***11** handling reports." App. 32a, 34a. The claims do not, for example, describe a "specific technique ... for improving network security" or even "a specific way of enabling a computer to monitor network activity." App. 34a-35a (emphasis omitted). At bottom, Judge Lourie noted, the claims "differ very little from the claims [found invalid] in *Electric Power,*" in that they "merely described selecting information ... for collection, analysis, and display." App. 32a-33a. He would have held that these claims, in which a "computer is used as a tool, and no improvement in computer technology is shown or claimed," are barred under both *Electric Power* and *Alice.* App. 34a-35a.

Cisco filed a timely petition for panel rehearing or rehearing en banc. While the Federal Circuit called for a response, neither the panel nor the en banc court decided to rehear the § 101 issue. This petition for certiorari followed.

REASONS FOR GRANTING THE PETITION

Because the Federal Circuit is the only court of appeals with jurisdiction over patent issues, it "is virtually impossible" for there to be a circuit split on the interpretation of the Patent Act. *See* Stephenson, Note, *Federal Circuit Case Selection at the Supreme Court: An Empirical Analysis,* 102 Georgetown L J. 271, 272 (2013). Accordingly, this Court has relied on unique metrics when assessing whether a petition challenging a Federal Circuit decision merits review. In particular, this Court has historically relied upon the presence of "intracircuit conflict" - as indicated by "dissents from panel opinions," *id.* at 286 - and/or a risk of the entrenchment of an erroneous view of patent law, *see* Golden, *The Supreme Court as "Prime Percolator,"* 56 UCLA L. Rev. 657, 705 (2009).

***12** This case presents both of these indicia. *First,* as Judge Lourie's powerful dissent establishes, the panel majority's ruling opens up a significant intra-circuit split over whether the abstract idea of collecting and analyzing data is patentable. *Second,* the ruling below will, unless reversed, broaden the scope of patentability to include abstract ideas implemented on a generic computer, in direct contravention of *Alice* and its predecessor decisions.

I. The Federal Circuit's Decision Creates An Intra-Circuit Split Over The Scope Of 35 U.S.C. § 101

A. The decision below warrants review because it conflicts with years of Federal Circuit precedent holding that a patent that simply collects and analyzes data is invalid. As the Federal Circuit explained shortly after *Alice* was decided, the concept of "collecting data" "is undisputedly well-known" and, "[i]ndeed, humans have always performed th[is] function." *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.,* 776 F.3d 1343, 1347 (Fed. Cir. 2014). Thus, for example, the claimed step of " 'obtaining information' " connected with an online credit card transaction "can be performed by a human who simply reads records of Internet card transactions from a preexisting database." *CyberSource Corp. v. Retail Decisions, Inc.,* 654 F.3d 1366, 1372 (Fed. Cir. 2011).

Similarly, the analysis of data - without more - is a form of "mental process" that a human being could perform, given sufficient time. *See, e.g., Bancorp Servs., LLC v. Sun Life Assurance Co.,* 687 F.3d 1266, 1278 (Fed. Cir. 2012) (" 'permitting a solution to be achieved more quickly' " than a "person making calculations or computations" is still an abstract idea); ***13** *In re TLI Commc'ns LLC Patent Litig.,* 823 F.3d 607, 613 (Fed. Cir. 2016) (claimed step of "recognizing certain data within the collected data set" is an abstract idea).

The Federal Circuit combined these two principles in *Electric Power Group, LLC v. Alstom S.A.,* 830 F.3d 1350 (Fed. Cir. 2016). There, the asserted claims described "systems and methods for performing real-time performance monitoring of an electric power grid by collecting data from multiple data sources, analyzing the data, and displaying the results." *Id.* at 1351. In other words, the patents merely claimed "gathering and analyzing information of a specified content ... and not any particular assertedly inventive technology for preforming those functions." *Id.* at 1354.

As the *Electric Power* court explained, both steps were "within the realm of abstract ideas." 830 F.3d at 1353-1354. Because information "is an intangible," the mere act of collecting it - even "when limited to particular content (which does not change its character as information)" - is inherently abstract. *Id.* at 1353. And the act of "analyzing information by steps people go through in their minds, or by mathematical algorithms ... [are] essentially mental processes within the abstract-idea category." *Id.* at 1354.

Importantly, the *Electric Power* court followed *Alice* in drawing a careful line between patents that claim "computer-functionality improvements" and those that merely use "existing computers as tools in aid of processes focused on 'abstract ideas.' " 830 F.3d at 1354. Because the patents at issue did not present "a specific improvement" such as a "particular database technique" to improve computer functioning, they were better thought of as using generic computers as tools. *Id.* The court accordingly held that the asserted claims ***14** "fail to meet the standard for patent eligibility under § 101." *Id.* at 1356.

The Federal Circuit has reaffirmed the *Electric Power* rule on several occasions. In *FairWarning IP, LLC v. Iatric Systems, Inc.,* 839 F.3d 1089 (Fed. Cir. 2016), for example, the asserted claims described recording user access to an individual's personal health information and reviewing the access data to detect misuse, *id.* at 1091-1092. In other words, the claims were "directed to collecting and analyzing information" for the purpose of ferreting out misconduct. *Id.* at 1094. Because the claims merely "implement[ed] an old practice in a new environment" - relying on the same tactics that "humans in analogous situations detecting fraud have asked for decades, if not centuries" - they were directed to an abstract idea. *Id.* at 1094-1095.

Similarly, in *Intellectual Ventures I LLC v. Capital One Financial Corp.,* 850 F.3d 1332 (Fed. Cir. 2017), one of the patents-in-suit described allowing a user to view and update documents written in a particular computer language, *id.* at 1339. At bottom, the Federal Circuit concluded, the patent was directed to an abstract idea because it merely claimed the "collection, display, and manipulation of data." *Id.* at 1340.

B. As Judge Lourie explained in his dissent, this case is "hardly distinguishable" from *Electric Power* and its progeny. App. 34a. As with the claims at issue in that case, the asserted "claims here recite nothing more than deploying network monitors, detecting suspicious network activity, and generating and handling reports." *Id.* Moreover, Judge Lourie observed, the claims fail to provide any new technique for implementing these abstract ideas - for example, they do not list any "specific means" for detecting suspicious activity or ***15** describe a "specific technique" for "improving computer network security." *Id.; see supra* pp. 10-11.

Notably, the panel majority did not identify any real way of distinguishing this case from *Electric Power.* The majority asserted generally that this case involved a "specific technique" for improving the functionality of computers (rather than simply using a computer as a tool), but it did not identify precisely how that specific technique went beyond the abstract idea of collecting and analyzing data. App. 12a. The majority also suggested that the asserted claims were patentable because they seek to improve a network's ability "to automatically detect large-scale attacks." App. 13a. But nothing in the patents' claims actually requires any improvement in a computer network or its security - merely collecting and analyzing data is enough. *See supra* pp. 6-9. Even if such an improvement were claimed, the *Electric Power* court rejected exactly this argument, noting that "result-focused" claims that are directed to achieving a particular outcome (here, network security) rather than a particular method of achieving that outcome cannot survive scrutiny under this Court's § 101 case law. *See* 830 F.3d at 1356.

C. This Court's review is necessary to resolve the burgeoning intra-circuit split over whether collecting and analyzing data is patentable. The panel majority was well aware of the *Electric Power* decision when it issued its ruling, but (incorrectly) believed it to be distinguishable for the reasons discussed above. App. 13a-14a. And the en banc Federal Circuit declined the opportunity to take up the issue when Cisco filed a petition for rehearing in this case.

Absent this Court's intervention, then, the conflict between *Electric Power* and this case will continue to ***16** generate confusion at multiple levels of the patent system.

First, at the Federal Circuit, it will permit individual panels to choose whether to follow the *Electric Power* rule (i.e., collecting and analyzing data, without more, is always an abstract idea) or the results-oriented rule crafted by the majority in this case. This, in turn, would make the outcome in any given case depend solely on the identity of the panel and raise important questions of fundamental fairness for similarly situated litigants.

Second, it will place the imprimatur of the Federal Circuit on patents that claim nothing more than the basic "moving of information." App. 34a (Lourie, J., dissenting). This will breed confusion in the district courts and at the Patent Office, which will be required to parse the non-existent distinctions between decisions like *Electric Power* on the one hand and this case on the other in deciding whether a given patent is invalid.

Confusion has already begun to set in. Just last month, the Patent Office issued new guidance to patent examiners and the general public that tried to draw a line between the claims disallowed under *Electric Power* and the claims allowed under this case. *See* PTO, *October 2019 Update: Subject Matter Eligibility* 7 (Oct. 17, 2019).[3] The Patent Office's good-faith effort to provide applicants with some direction on complicated §101 issues is, as a general matter, important to maximizing predictability in patent examinations. The only guiding principle that the Patent Office was able to ***17** marshal as it relates to the question presented, however, is that the *Electric Power* rule applies when claims "contain limitations that can practically be performed in the human mind," while the majority's rule in this case applies when claims "cannot be practically performed in the human mind." *Id.*

The Patent Office's distinction demonstrates the confusion caused by the majority's decision. Both the patent claims here and those at issue in *Electric Power* involved using computers to assist in the process of collecting and analyzing data. As the *Electric Power* panel pointed out, the mere act of using an "off-the-shelf, conventional computer, network, and display technology" does not transform an abstract idea into patentable subject matter. 830 F.3d at 1355. Tellingly, the panel majority here relied on an entirely different - but still erroneous - ground in its strained attempt to differentiate *Electric Power.* App. 14a (contending that *Electric Power* involved the use of a computer as a tool rather than an improvement to the functionality of computers).

In effect, the Patent Office has created an entirely new doctrinal distinction in its difficult bid to make sense of the ruling in this case. Forcing the Patent Office to make this kind of case-by-case delineation - especially when rooted in distinctions that the Federal Circuit itself has not drawn - is neither sustainable nor desirable. This Court should grant review to lay down a clear rule that the Patent Office, the district courts, and the Federal Circuit can easily apply. *See, e.g., Berkheimer v. HP, Inc.,* 890 F.3d 1369, 1376 (Fed. Cir. 2018) (Lourie, J., concurring in denial of rehearing en banc) ("Resolution of patent-eligibility issues [under § 101] requires higher intervention, hopefully with ideas reflective of the best thinking that can be brought to ***18** bear on the subject."), *petition for cert. filed,* No. 18-415 (U.S. Sept. 28, 2018).

II. The Federal Circuit's Decision Is Incorrect And Cannot Be Squared With *Alice* Or This Court's Longstanding Precedent

Even if it had not created an intra-circuit split, the panel majority's ruling would still warrant this Court's review because it is impossible to square with the basic principles laid out in *Alice* and its predecessors. It cannot be the case that an abstract idea like collecting and analyzing data transforms into patentable subject matter simply because it purportedly improves computer functioning or solves an existing problem.

As the *Alice* Court explained, this Court has long held that " 'simply implementing a mathematical principle' " like an algorithm " 'on a physical machine, namely a computer, is not a patentable application of that principle.' " *Alice Corp. Pty. Ltd. v. CLS Bank Int'l,* 573 U.S. 208, 222 (2014) (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.,* 556 U.S. 66, 84 (2012)). Rather, the patent claims must improve on an "existing technological process" in a manner that does not rely solely on "generic computer implementation." *Id.* at 223-224. A contrary rule would allow a patent applicant to claim "any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept," making "the determination of patent eligibility 'depend simply on the draftsman's art.' " *Id.* at 224.

Under the *Alice* standard, the patents-in-suit are invalid. They claim only the abstract idea of collecting and analyzing data to detect suspicious activity that would not be captured by a single observer. This is no ***19** different from a city's police force monitoring ongoing criminal behavior and pooling data to be alert to large-scale dangers, like a serial arsonist or a string of bank robberies. *See supra* pp. 5-6.

The majority's attempt to circumvent the abstract nature of the asserted claims is nothing short of an end-run around *Alice.* The majority seemed to rely on two basic points to justify why the patents in this case are not directed to unpatentable subject matter, neither of which withstands scrutiny.

First, the majority stated that *Alice* is distinguishable because the patent claims asserted in this case improve the functionality of a computer, as opposed to simply using a computer as a tool to implement an existing idea. App. 14a. *Alice* did recognize in passing that claims "purport[ing] to improve the functioning of the computer itself" might provide an inventive concept sufficient to be patent-eligible. 573 U.S. at 225. But nothing in the claims at issue here actually requires such an improvement. *See supra* pp. 6-9. Even if they did, *Alice* nowhere suggests that an abstract idea that improves computer functioning - without more - is patentable. Rather, the Court was merely pointing out that a novel technique or application springing from an abstract idea might be patentable. This is clarified in the very next sentence of the opinion, which indicates that the Court was referring to a " '*specific or limiting recitation* of ... improved computer technology.' " *Alice,* 573 U.S. at 225 (emphasis added). The *Alice* Court also cited the United States' *amicus* brief for the "improve the functioning" point, and that filing similarly states that "[t]he ultimate inquiry [under § 101] is whether the claims are directed to an innovation in computing or other technical fields *instead of* to an abstract method." ***20** U.S. Amicus Br. 28-29, *Alice,* No. 13-298 (U.S. Feb. 26, 2014) (emphasis added).[4]

Indeed, *Alice* could not have permissibly adopted the majority's distinction without overruling this Court's longstanding precedent. In *Gottschalk v. Benson,* 409 U.S. 63 (1972), for example, this Court concluded that a patent claiming an algorithm that created a streamlined method for processing data on a computer was invalid. *Id.* at 64, 71-73, *see also Alice,* 573 U.S. at 218 (discussing *Benson*). The only real "practical application" for the patent, the Court noted, was "in connection with a digital computer," and permitting the patent to be enforced would "wholly pre-empt the [underlying] mathematical formula and in practical effect would be a patent on the algorithm itself." *Benson,* 409 U.S. at 71-72. Under the panel majority's test, however, the *Benson* algorithm would be patentable despite its abstract nature because it improved computer functioning.[5]

Second, the panel majority relied on the fact that the asserted claims were intended to "solve a specific problem in the realm of computer networks" - namely, "identifying ***21** hackers or potential intruders into the network." App. 12a. But again, nothing in the asserted claims requires solving a network security problem. *See supra* pp. 6-9. Even if they did, the *Alice Court* did not carve out a special exception for abstract ideas that seek to solve an important problem from its blanket rule that the mere recitation of an abstract idea coupled with implementation on a generic computer is not patentable.

Nor could *Alice* have adopted the panel's reasoning, as it conflicts with well-established doctrine. As this Court explained in *Parker v. Flook,* 437 U.S. 584 (1978), the mere presence of "post-solution activity, no matter how conventional or obvious in itself, can[not] transform an unpatentable principle into a patentable process." *Id.* at 590; *see also Alice,* 573 U.S. at 222 (discussing *Flook*). The "Pythagorean theorem," this Court pointed out, would not be patentable simply because "a patent application contained a final step indicating that the formula, when solved, could be usefully applied to existing surveying techniques." *Flook,* 437 U.S. at 590. Under the panel majority's test, however, the Pythagorean theorem could be claimed and monetized, so long as the patent's drafter was sufficiently clever in coming up with a new problem that the formula could purportedly resolve.[6]

***22** In sum, the panel majority has crafted a new rule of patent law that cannot be squared with this Court's precedent - apparently based on a misreading of one sentence in *Alice.* If the majority's ruling is left in place, it will, for the first time, permit abstract ideas to be patented so long as they have the side effect of purportedly improving computer functioning or solving an important problem. This Court should grant review to correct this significant misreading of its case law.

III. This Case Presents An Excellent Vehicle To Reaffirm That Abstract Ideas Are Not Patentable

This case provides a strong, straightforward vehicle to make clear that a patent that claims simply collecting and analyzing data is invalid under § 101.

First, the issue is cleanly presented. If this Court grants review and concludes that the patents at issue are invalid under § 101, the litigation will end. There are no alternative grounds on which the infringement and damages judgment could be affirmed.[7]

Second, the opinion below is published and provides a detailed (although erroneous) analysis supporting its holding. If this case is allowed to stand, however, subsequent ***23** decisions will likely be unpublished and will contain less reasoning for this Court to review.

Finally, the question presented will not benefit from further percolation in the Federal Circuit. That court has declared the type of claims at issue in this case invalid in several well-reasoned opinions, but deliberately refused to reconsider this particular case en banc. This Court should take the opportunity to correct the panel majority's error before the consequences spread any further.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted.

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Footnotes

1 The pending petition for certiorari in *Trading Technologies International, Inc. v. IBG LLC,* No. 19-353, argues for *narrowing* the scope of what constitutes an abstract idea. Cisco believes both that such an approach would be incorrect and that this case is a better vehicle for clarifying the scope of the abstract idea doctrine. Still, Cisco respectfully requests that - if this Court is inclined to grant review in *Trading Technologies* - the Court grant review here as well in order to have the benefit of two different factual scenarios that raise the same basic legal issue. *See, e.g., Halo Elect., Inc. v. Pulse Elecs., Inc.,* 136 S. Ct. 1923, 1931 (2016) (granting review of two different petitions, each raising an issue regarding the award of enhanced patent damages).

2 As the Federal Circuit panel later noted, it is undisputed that patent eligibility in this case is a "purely legal question." App. 11a n.5. Accordingly, this case does not implicate the Federal Circuit doctrine holding that summary judgment on a § 101 issue is inappropriate when there are disputed issues of fact. *See, e.g., Berkheimer v. HP Inc.,* 881 F.3d 1360 (Fed. Cir. 2018), *petition for cert. filed,* No. 18-415 (U.S. Sept. 28, 2018).

3 *Available at* https://www.uspto.gov/sites/default/files/documents/peg_oct_2019_update.pdf.

4 *Available at* https://www.americanbar.org/content/dam/aba/ publications/supreme_court_preview/briefs-v3/13-298_resp_amcu_usa.authcheckdam.pdf (last visited Nov. 8, 2019).

5 The panel majority's reasoning rested heavily on *Enfish, LLC v. Microsoft Corp.,* 822 F.3d 1327 (Fed. Cir. 2016). *See* App. 12a, 13a, 14a, 15a. But the patent in *Enfish* did not attempt to claim an abstract idea - rather, it claimed a specific type of data structure designed to improve the way a computer stores and retrieves data in memory. 822 F.3d at 1337; *see also Electric Power,* 830 F.3d at 1354 (*Enfish* "focused on ... a specific improvement - a particular database technique - in how computers could carry out one of their basic functions of storage and retrieval of data"). And even if *Enfish* could be read to support the majority's position, it cannot be squared with *Benson.*

6 The panel majority's reasoning on this point relied on *DDR Holdings, LLC v. Hotels.com, LP,* 773 F.3d 1245 (Fed. Cir. 2014). *See* App. 12a, 14a. But, like *Enfish,* that case did not involve an abstract idea - rather, the patent claimed a new way of displaying websites. 773 F.3d at 1257; *see also Electric Power,* 830 F.3d at 1355 ("[T]he claims at issue in *DDR Holdings*" "require[d] an arguably inventive device or technique for displaying information[.]"). And, similar to *Enfish,* even if *DDR Holdings* could be read to support the majority's opinion, it cannot be reconciled with this Court's decision in *Flook.*

7 The panel majority did not directly address whether the patents-in-suit claim an inventive concept separate from the abstract idea of collecting and analyzing data. App. 15a. As Judge Lourie pointed out in dissent, however, the only possible inventive concept in the patent beyond the underlying abstract idea is the use of a computer and nothing in the patent requires anything other than "off-the-shelf," "generic" computer components. App. 34a-35a. And because the § 101 analysis in this case presents a pure question of law, *see supra* n.2, this Court could resolve the inventive concept question without remanding for additional factual findings.

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ABBOTT

2019 WL 5705025 (D.N.J.) (Trial Pleading)

United States District Court, D. New Jersey.

ABBOTT CARDIOVASCULAR SYSTEMS INC., Plaintiff,

v.

Robert E. FISCHELL, David R. Fischell, and Tim A. Fischell, Defendants.

No. 19-19824.

November 4, 2019.

Complaint for Common Law Fraud and Fraudulent Inducement

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JURY TRIAL DEMANDED

Plaintiff, Abbott Cardiovascular Systems Inc. ("Plaintiff" or "ACS"), by way of Complaint against defendants, Robert E. Fischell, David R. Fischell, and Tim A. Fischell (collectively "Defendants" or the "Fischells"), alleges as follows:

PARTIES

1. ACS is a California corporation with a principal place of business at 3200 Lakeside Drive, Santa Clara, California 95054.

2. On information and belief, Defendant Robert E. Fischell is a resident of Dayton, Maryland.

3. On information and belief, Defendant David R. Fischell is a resident of Fair Haven, New Jersey.

4. On information and belief, Defendant Tim A. Fischell is a resident of Kalamazoo, Michigan.

NATURE OF THE ACTION

5. By fraud and deceit, including express misrepresentations and material omissions, the Fischells induced ACS to pay royalties based on an infringement allegation involving a patent that the Fischells knew to be invalid. Indeed, in contemporaneous trade secret litigation (where ACS was not involved), each of the Fischells represented that the subject matter claimed in the patent was not disclosed in the patent application because they did not invent that subject matter. The Fischells failed to disclose this information to the United States Patent and Trademark Office (the "Patent Office") and to ACS. The scheme orchestrated by the

Fischells resulted in ACS paying the Fischells in excess of $57 million, even though no ACS stent ever infringed a valid claim of that patent. ACS seeks to recoup the royalties it was fraudulently induced to pay to the Fischells.

6. ACS is a leading developer and manufacturer of stents for treating coronary artery disease. In August 2003, ACS received a letter from Johnson & Johnson ("J&J") asserting that certain ACS stents infringed U.S. Patent No. 6,547,817 (the "817 Patent"), which had been assigned to Cordis Corporation ("Cordis") by the Fischells.

7. At that time, Cordis was a subsidiary of J&J, a New Jersey corporation with a principal place of business in New Jersey. ACS and J&J/Cordis had a history of patent disputes in the highly competitive stent industry. Without any litigation regarding the 817 patent, ACS and J&J/Cordis negotiated an agreement to resolve the infringement allegation, along with other disputes relating to stents. The agreement was executed in February 2004. ACS was not aware that the Fischells actively encouraged J&J/Cordis to make the infringement allegation against ACS. ACS also was not aware that the Fischells were actively involved behind the scenes in the negotiations. During the negotiations, the Fischells were regularly apprised by J&J/Cordis. The Fischells also proposed terms for the agreement and approved final terms.

8. In support of the application for the 817 Patent, a declaration was submitted that was executed by each of the Fischells, attesting that they invented the claimed subject matter and acknowledging that they had an affirmative duty of candor and good faith, including a duty to disclose all information known to each of them to be material to patentability. When confronted with the infringement allegation, ACS reasonably relied on the Fischells to have invented the claimed subject matter and to have complied with their affirmative duty of candor and good faith.

9. But the Fischells' declarations and representations were knowingly false. During the prosecution of the 817 Patent and during the negotiation of the agreement between ACS and J&J/Cordis, the Fischells were involved in trade secret litigation, not involving ACS or J&J/Cordis, in the Superior Court for the State of California in and for the City and County of Santa Clara ("California Trade Secret Litigation"). In that litigation, the Fischells testified and asserted that they did not invent the subject matter claimed in the 817 Patent and that they did not disclose that subject matter in the application for the 817 Patent. In light of this information, the claims of the 817 Patent are invalid. The Fischells were legally and ethically obligated to disclose this information but failed to do so.

10. The Fischells' conduct was fraudulent, unfair, and unlawful. Due to this conduct, ACS entered the agreement with J&J/Cordis and began paying royalties to the Fischells (via J&J/Cordis). Altogether, ACS paid more than $57 million in royalties that were passed through to the Fischells by J&J/Cordis. The Fischells have received and retained these royalties to the detriment of ACS. The Fischells' conduct is continuing and is a present threat to ACS and others. For example, the Fischells have perpetuated the fraud by suing Cordis, demanding that Cordis pay, or compel ACS to pay, additional royalties.

11. ACS therefore brings this action against the Fischells for fraud and fraudulent inducement. In addition to damages and restitution, ACS also seeks an injunction to prevent further harm by the Fischells' continuing conduct.

JURISDICTION AND VENUE

12. This Court has subject matter jurisdiction over all claims alleged in this action under 28 U.S.C. § 1332. Jurisdiction is proper because the parties in this action are completely diverse and the amount in controversy exceeds $75,000.

13. This Court has personal jurisdiction over each of the Defendants because, as demonstrated herein, each of the Fischells has purposefully availed himself of New Jersey's benefits, and ACS's causes of action are related to and arise out of the Fischells' contacts with New Jersey and this District. For example, ACS's causes of action are related to the Fischells' conduct in actively encouraging J&J/Cordis, via contacts in New Jersey, to make the infringement allegation against ACS and their involvement behind the scenes in the negotiation of an agreement between J&J/Cordis and ACS to resolve the infringement allegation. As another example, defendant David R. Fischell, a resident of the State of New Jersey, unlawfully received and retained royalty payments from ACS in this District.

14. Venue is proper in this Court under 28 U.S.C. § 1391(b) because, among other things, a substantial part of the events or omissions giving rise to ACS's causes of action occurred in this District.

FACTUAL BACKGROUND

The Fischell Patents and Patent Applications.

15. On February 25, 1994, the Fischells filed Patent Application No. 08/202,128 (the "128 Application") in the Patent Office.

16. Subsequently, nine (9) continuation patent applications, based on and claiming priority to the 128 Application, have been filed in the Patent Office. The 128 Application and the related continuation applications are referenced herein as the "Fischell Patent Applications." Patents that have issued from the Fischell Patent Applications are referenced herein as the "Fischell Patents."

17. According to the Fischells, Robert Fischell was the principal author of the 128 Application with some contributions by David Fischell and Tim Fischell.

18. The title of the 128 Application was "Stent Having A Multiplicity of Closed Circular Structures."

19. The 128 Application purported to describe alleged inventions relating to stents for use in the coronary arteries.

20. Each of the Fischells executed a declaration acknowledging a duty to disclose information material to the examination of the 128 Application and subsequent Fischell Patent Applications, in accordance with Title 37, Code of Federal Regulations, Section 1.56.

21. As described in the 128 Application, stents have a pre-deployment form and a deployed form. The stents are in the pre-deployment form when they are advanced through a coronary artery to a treatment location (e.g., a narrowing in a coronary artery). At the treatment location, these stents are expanded into the deployed form, serving as "scaffolding" to keep the artery open.

22. Stents with a pre-deployment form and a deployed form were well known in the prior art when the Fischells filed the 128 Application.

23. As described in the 128 Application, the Fischells' alleged invention included a stent with "rings" that are circular (or almost exactly circular) in the deployed form. According to the Fischells, Robert Fischell conceived this idea. In the pre-deployment form, the rings are in the form of folded ovals.

24. As described in the 128 Application, the Fischells' alleged invention included "longitudinals" running the full length of a stent that join the rings of the stent, where the longitudinals can be straight or "undulating."

25. In the 128 Application, Figure 9 (reproduced below) depicts a stent in a pre-deployment form with the rings (red highlighting added) in the form of folded ovals and joined by straight longitudinals (green highlighting added).

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

26. According to the Fischells, in the pre-deployment form, the folded ovals form "peaks" and "valleys," although this terminology is not used in the 128 Application.

27. In the 128 Application, Figure 8 (reproduced below) depicts a stent in a deployed form with rings (red highlighting added) that are circular (or almost exactly circular) with no peaks or valleys and joined by straight longitudinals (green highlighting added) and undulating longitudinals (blue highlighting added) that run the full length of the stent.

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

28. A pre-deployment form of the stent with undulating longitudinals is not depicted or described in the 128 Application.

Assignment of the Fischell Patents to Cordis and the Fischells' continued involvement with prosecution and litigation.

29. On information and belief, the Fischell Patent Applications and the Fischell Patents were assigned to Cordis, effective February 5, 1998.

30. After the Fischell Patent Applications and the Fischell Patents were assigned to Cordis, the Fischells founded a company known as IsoStent, LLC. ("IsoStent"). On information and belief, the Fischells were the principal shareholders and managers of IsoStent.

31. On information and belief, after the Fischell Patent Applications and the Fischell Patents were assigned to Cordis, the Fischells remained involved in the prosecution of the Fischell Patent Applications and the Fischell Patents as the named inventors and as consultants to Cordis.

32. The Fischells also were involved in litigation relating to the Fischell Patents and the Fischell Patent Applications.

33. On or about April 13, 1998, Cordis filed suit against Boston Scientific Corporation ("BSC"), alleging that BSC's NIR stent infringed two of the Fischell Patents (the "NIR Litigation").

34. During the NIR Litigation, each of the Fischells testified as a witness for Cordis regarding the Fischell Patents at issue.

35. In the NIR Litigation, the court (Judge Sue Robinson) found that the NIR stent did not infringe the asserted Fischell Patents because, in the NIR stent, the links between rings had a U-shape, which was not undulating as required by the claims of the asserted Fischell Patents. *Cordis Corp. v. Medtronic AVE, Inc.*, 194 F. Supp. 2d 323, 353-54 (D. Del. 2002).

36. Judge Robinson's decision was affirmed by the Federal Circuit. *Cordis Corp. v. Boston Scientific Corp.*, 658 F.3d 1347, 1356-58 (Fed. Cir. 2011).

37. On or about January 28, 2002, IsoStent sued various defendants in the California Trade Secret Litigation. Neither ACS nor Cordis was a party.

38. In particular, IsoStent claimed as its trade secret the concept of a stent having a longitudinal with an undulating portion between a peak of one ring and a valley of an adjacent ring.

39. During the California Trade Secret Litigation, the parties disputed whether the alleged trade secrets were disclosed in the 128 Application.

40. During the California Trade Secret Litigation, the Fischells and IsoStent asserted in words or substance, in pleadings and written discovery, that the 128 Application did not teach or disclose how to make a stent with the combination of (a) rings with peaks and valleys and (b) undulating longitudinals.

41. During the California Trade Secret Litigation, each of the Fischells testified in words or substance that the 128 Application did not teach or disclose a stent with (a) a pre-deployment form (as depicted in Figure 9) and (b) undulating longitudinals (as depicted in Figure 8).

42. Further, the Fischells testified in words or substance that, when the 128 Application was filed, they did not know how to make a stent with (a) a pre-deployment form (as depicted in Figure 9) and (b) undulating longitudinals (as depicted in Figure 8).

43. For example, in support of IsoStent's claim for misappropriation of trade secrets, Tim Fischell testified as follows:

Q: Anywhere in [the 128 Application] do the peak to valley features in figure 9 and undulating longitudinal features in figure 8 appear together?

A: No.

Q: Is there anything in [the 128 Application] that would show how you would fit those two features together?

A: No. I think it absolutely has to be clarified that ten years later at the time we made that no one was doing that. We weren't doing it. We didn't show it. And in my opinion it is not obvious how you fit that in. We show a concept of an undulation. We show concept of peak to valley. We definitely in my opinion in this patent do not show you how to put the two together.

44. Similarly, in support of IsoStent's claim for misappropriation of trade secrets, Robert Fischell testified as follows:

Q: I believe you testified that a person of ordinary skill in the art could not look at figures 8 and 9 or anything else in the [128 Application] and produce a stent that combines an undulating longitudinal with a peak-to-valley?

A: Yes, I recall saying that.

Q: You still believe that to be true?

A: Yes.

Q. I am going to show you the figures 8 and 9 again. Could a person of ordinary skill in the art produce a modified version of the design which contains an undulating longitudinal with what's taught in that patent?

A: I consider myself more than of ordinary skill in the art. *** If I had known how to put it together when I wrote this [the 128 Application], I would have put it in. Therefore, to a person of more than ordinary skill in the art, it was not obvious.

Q: And not taught by the patent?

A: Correct.

Q: So, you would testify that you did not know how to combine the two [undulating longitudinal with a peak-to-valley] at the time you filed that patent?

A: Yes. And I even said if I had known it, I would have done it.

Fraudulent omissions and misrepresentations by the Fischells.

45. After Judge Robinson's rulings relating to "undulating" in the NIR Litigation, Cordis continued to prosecute Fischell Patent Applications. The Fischells were involved in prosecuting these applications, as inventors and as consultants.

46. On April 15, 2003, one of the Fischell Patent Applications issued as the 817 Patent.

47. The application for the 817 Patent was filed on June 16, 2000. That application was based on and claimed priority to the 128 Application, just like the other Fischell Patent Applications.

48. In support of the application for the 817 Patent, a declaration by the Fischells was submitted representing that they had invented the claimed subject matter and acknowledging their duty to disclose information material to the claims under examination.

49. During the prosecution of the 817 Patent, Cordis disclosed material information from the NIR Litigation.

50. During the prosecution of the 817 Patent, the Fischells failed to disclose material information from the California Trade Secret Litigation.

51. The claims of the 817 Patent require, among other things, a stent for delivery in a coronary artery where, in a pre-deployment form, the stent has a combination of (a) rings with peaks and valleys and (b) at least one longitudinally extending connector with at least one circumferentially extending turn back portion (i.e., undulating portion).

52. Further, claim 10 of the 817 Patent also requires, among other things, that in the pre-deployment form at least one turn back portion (i.e., undulating portion) of said connector is located entirely within a valley portion of a circumferential ring.

53. During the prosecution of the 817 Patent, the Fischells failed to disclose that, in the California Trade Secret Litigation, the Fischells and IsoStent were asserting that subject matter claimed in the 817 Patent was a trade secret and was not disclosed or taught in the 128 Application. The Fischells and IsoStent also were asserting that the Fischells did not invent the subject matter now claimed in the 817 Patent.

54. In light of the statements and testimony by the Fischells and IsoStent in the California Trade Secret Litigation, the claims of the 817 Patent are invalid under 35 U.S.C § 112.

55. On information and belief, in the same time frame when the 817 Patent issued, David Fischell contacted J&J/Cordis and asserted that certain ACS[1] coronary stents allegedly infringed the Fischell Patents.

56. On or about August 14, 2003, J&J/Cordis sent a letter to ACS asserting that certain ACS coronary stents allegedly infringed the 817 Patent. This infringement claim was addressed through negotiation rather than litigation.

57. On information and belief, in or about January 2004, Robert Fischell was informed by J&J/Cordis that J&J/Cordis and ACS were negotiating an agreement for pass-through royalty payments to the Fischells, i.e., ACS would pay certain royalties to J&J/Cordis for pass through to the Fischells. On information and belief, Robert Fischell conveyed the same information to David Fischell and Tim Fischell.

58. Effective February 24, 2004, J&J/Cordis and ACS executed an agreement providing for pass-through royalty payments to the Fischells for ACS coronary stents covered by a valid claim of a Fischell Patent (the "Pass-Through Royalty Agreement").

59. On information and belief, during February 2004, the Fischells were involved behind the scenes in the negotiations between J&J/Cordis and ACS relating to the Fischell Patents. The Fischells were regularly consulted by J&J/Cordis regarding the negotiations; the Fischells proposed revisions to the agreement between J&J/Cordis and ACS; and the Fischells approved terms of the agreement at the request of J&J/Cordis. ACS was not aware of the Fischells' involvement.

60. On information and belief, during the negotiations, the Fischells took no action to remedy their failure to disclose material information from the California Trade Secret Litigation during prosecution of the 817 Patent, which was the only Fischell Patent asserted against ACS during the negotiations.

COUNT I – COMMON LAW FRAUD

61. ACS re-alleges and incorporates by reference the allegations contained in paragraphs 1-60 as if fully set forth herein.

62. The Fischells falsely represented that they invented subject matter claimed in the Fischell Patents, including the subject matter claimed in the 817 Patent.

63. The Fischells knew that these representations were false, as evidenced by their assertions and testimony in the separate California Trade Secret Litigation.

64. In connection with the prosecution of the Fischell Patent Applications, including the application for the 817 Patent, the Fischells had an affirmative duty of candor and good faith, which includes a duty to disclose all information known to each of them to be material to patentability. The Fischells acknowledged these duties in a declaration submitted in support of each of the Fischell Patent Applications.

65. In connection with the prosecution of the Fischell Patent Applications, including the application for the 817 Patent, the Fischells knowingly failed to comply with their duty of candor and good faith and their duty to disclose material information. In particular, the Fischells took no action to disclose the assertions, by the Fischells and IsoStent in the California Trade Secret Litigation, that subject matter claimed in the 817 Patent was not invented by the Fischells and was not disclosed or taught in the 128 Application.

66. When negotiating an agreement for pass-through royalties to the Fischells, ACS justifiably relied on the Fischells to have invented the subject matter claimed in the Fischell Patents, in particular the subject matter claimed in the 817 Patent.

67. The Fischells knowingly made false representations with the intent to induce ACS (among others) to pay royalties based on patent claims directed to subject matter that the Fischells did not invent.

68. When negotiating an agreement for pass-through royalties to the Fischells, ACS justifiably relied on the Fischells to have complied with their duty of candor and good faith and their duty of disclosure in connection with the prosecution of the Fischell Patents, in particular in connection with the prosecution of the 817 Patent.

69. The Fischells knowingly made false representations and knowingly failed to comply with their duty of candor and good faith and their duty of disclosure with the intent to induce ACS (among others) to pay royalties based on patent claims that are invalid because the claimed subject matter is not disclosed or taught in the 128 Application.

70. The Fischells and IsoStent used a confidentiality order in the California Trade Secret Litigation to prevent public access to information that was material to the prosecution of the Fischell Patents, including the 817 Patent.

71. When J&J/Cordis and ACS negotiated and executed the Pass-Through Royalty Agreement, ACS had no knowledge of or access to material information from the California Trade Secret Litigation that the Fischells failed to disclose during prosecution of the 817 Patent. Likewise, ACS was not aware of the active role played by the Fischells in (a) instigating the infringement claim against Abbott based on the 817 Patent and (b) negotiating the Pass-Through Royalty Agreement.

72. ACS has been damaged by the Fischells' fraud and deceit, including the Fischells' false representations, material omissions, and failure to comply with their duty of candor and good faith and their duty to disclose material information.

73. Due to fraud and deceit by the Fischells, including false representations and material omissions, ACS paid pass-through royalties to the Fischells totaling more than $57 million.

74. ACS is entitled to recover from the Fischells the pass-through royalties paid to the Fischells.

COUNT II – FRAUDULENT INDUCEMENT

75. ACS re-alleges and incorporates by reference the allegations contained in paragraphs 1-74 as if fully set forth herein.

76. By fraud and deceit, including false representations and material omissions, the Fischells induced ACS to pay pass-through royalties for the Fischells totaling more than $57 million.

77. ACS has been damaged as a result of fraudulent inducement by the Fischells.

78. ACS is entitled to recover from the Fischells the pass-through royalties paid to the Fischells.

PRAYER FOR RELIEF

WHEREFORE, ACS respectfully requests that the Court:

A. Enter judgment in its favor and against the Fischells, individually and jointly, in an amount not less than $57 million, plus punitive damages, interest, costs, expenses, and legal fees;

B. Enter a permanent injunction barring the Fischells from seeking royalties (or other consideration) from ACS (or any other person) in relation to any of the Fischell Patents; and

C. Grant such other and further relief as the Court deems just and proper.

JURY DEMAND

ACS demands a trial by jury of all claims so triable.

CERTIFICATION UNDER LOCAL CIVIL RULE 11.2

The undersigned counsel hereby certifies pursuant to Local Civil Rule 11.2 that the matter in controversy is not the subject of any other action pending in any court, or of any pending arbitration or administrative proceeding.

Dated: November 4, 2019

Respectfully submitted,

s/ Thomas R. Curtin

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Footnotes

1 At that time, ACS was known as Advanced Cardiovascular Systems, Inc. and was a subsidiary of Guidant Corporation. The corporate name was later changed to Abbott Cardiovascular Systems Inc. after ACS became a subsidiary of Abbott Laboratories in 2006.

End of Document

LEGALFORCE

2019 WL 6036618

Only the Westlaw citation is currently available.

United States District Court, N.D. California.

LEGALFORCE RAPC WORLDWIDE P.C., Plaintiff,

v.

GLOTRADE, et al., Defendants.

Case No. 19-CV-01538-LHK

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11/14/2019

LUCY H. KOH, United States District Judge

ORDER GRANTING MOTION TO DISMISS FOR LACK OF PERSONAL JURISDICTION WITH LEAVE TO AMEND Re: Dkt. No. 51

***1** LegalForce RAPC Worldwide, P.C. ("Plaintiff") sued eighteen defendants, including WTMR, LLC ("Defendant"), for alleged violations of the Lanham Act, California's False Advertising Law, and California's Unfair Competition Law, as well as a claim for intentional interference with prospective economic advantage. ECF No. 1. Before the Court is Defendant's motion to dismiss.[1] ECF No. 18. Having considered the submissions of the parties, the relevant law, and the record in this case, the Court GRANTS Defendant's motion to dismiss with leave to amend.

I. BACKGROUND

A. Factual Background

Plaintiff is a California professional corporation with a principal place of business in Mountain View, California and a law office located in Tempe, Arizona. ECF No. 1 at ¶ 18 ("Compl."). Plaintiff "offers services including trademark preparation and prosecution, patent preparation and prosecution, copyright registration and counseling, international trademark and patent filings, and corporate formation and stock and equity structuring." *Id.* ¶ 41. Plaintiff "has clients for intellectual property services in all 50 states and more than 300 cities and towns across America." *Id.*

Plaintiff alleges that companies, termed "Mailer Defendants," "use publicly available trademark filer information to send targeted 'solicitations' to...trademark applicants." *Id.* ¶¶ 2, 43. The " 'solicitations' are constructed to [deceptively] make the trademark applicant believe that an official U.S. government agency or the [United States Patent & Trademark Office ("USPTO")] itself is sending a letter to them, raising fear among the unsuspecting public that they must pay large amounts of money or forfeit trademark rights." *Id.* ¶ 2. These "Mailer Defendants" provide no real services and "result in no value to trademark owners." *Id.*

Plaintiff alleges that Mailer Defendants "appear to originate…[in] countries outside the United States (most frequently from eastern Europe)." *Id.* ¶ 3. As relevant to the instant motion to dismiss, Plaintiff asserts that Defendant is one such "Mailer Defendant," and that Defendant lists a Washington, D.C. address for its business, but is actually located in Hungary. *Id.* ¶¶ 59-63.[2]Defendant allegedly sends out unsolicited offers and directs recipients to pay a $980 registration fee to have the recipients' trademark listed in Defendant's publication. *Id.* ¶ 65. The unsolicited offer, however, fails to mention that trademark applications are a matter of public record and, once approved, trademark applications are published in the USPTO's Official Gazette. *Id*. ¶ 66. Instead, the unsolicited offer is "deliberately constructed to deceive recipients into thinking the unsolicited offer is a bill so the recipient will send a check as a payment for something they think is already owed to protect a trademark." *Id.* ¶ 80. Plaintiff alleges that it "has received over 40 unsolicited offers from [Defendant] in the past year, directed to both RACP's clients and to individuals employed by RAPC." *Id.* ¶ 73. Defendant acknowledges that some trademark owners who received Defendant's unsolicited offer "may reside in California," Popovics Decl. ¶ 8, but that Plaintiff's Complaint fails to allege whether it received Defendant's unsolicited offers at its California office or its Arizona office or whether Plaintiff's clients received Defendant's unsolicited offers in California or out-of-state.[3]

***2** As a result of the Mailer Defendants' actions, Plaintiff asserts that "significant business" was deceptively diverted to Mailer Defendants. *Id.* ¶ 198. Plaintiff also alleges that Plaintiff's business reputation was harmed because Plaintiff "received inquiries from its clients confused about the unsolicited actions by the Mailer Defendants and worried that [Plaintiff's] services to the clients were somehow deficient." *Id.* ¶ 199. Plaintiff claims that it spent "valuable time and expenses to investigate the facts to appropriately advise its clients." *Id*. ¶ 200.

B. Procedural History

On March 25, 2019, Plaintiff sued eighteen defendants and alleged the following causes of action: (1) violations of the Lanham Act, 15 U.S.C. § 1125(a); (2) violations of California's False Advertising Law, Cal. Bus. & Prof. Code § 17500; (3) violations of California's Unfair Competition Law, Cal. Bus. & Prof. Code § 17200; and (4) intentional interference with prospective economic advantage. Compl. ¶¶ 203-61. The eighteen defendants fell into two categories: "Mailer Defendants," which are entities that directly engaged in the allegedly false advertising; and "Logistics Enablers," which are companies that provided domestic mailing addresses to the foreign "Mailer Defendants" that facilitated the allegedly fraudulent conduct. *Id.* ¶ 1; *see generally id.* ¶¶ 203-61.

To date, Plaintiff has voluntarily dismissed six of the seven "Logistics Enablers" and three of the eleven "Mailer Defendants." ECF Nos. 16, 25, 28, 33, 42, 48, and 72. The final "Logistic Enabler" defendant filed a motion to dismiss based on personal jurisdiction, and the Court granted the motion with leave to amend on October 23, 2019. ECF No. 82. Six of the "Mailer Defendants" were served but did not appear, and the Clerk entered default against them. *See* ECF Nos. 47, 64, and 66.

Of the two Mailer Defendants, one filed an answer (ECF No. 78), and the other one, Defendant, filed the instant motion to dismiss on July 22, 2019. ECF No. 51 ("Mot."). Defendant contends that Plaintiff lacks Article III standing to bring this suit, personal jurisdiction over Defendant is absent, venue is improper in this district, and that Plaintiff fails to state a claim. Plaintiff filed an opposition on August 5, 2019, ECF No. 57 ("Opp."), and Defendant filed a reply on August 12, 2019, ECF No. 63 ("Reply").

II. LEGAL STANDARD

In the instant motion, Defendant raises four grounds for dismissing Plaintiff's Complaint:

(1) lack of Article III standing, under Rule 12(b)(1); (2) lack of personal jurisdiction, under Rule 12(b)(2); (3) improper venue, under Rule 12(b)(3); and (4) failure to state a claim, under Rule 12(b)(6). Because Article III standing implicates constitutional limitations on our power to decide a case, the Court addresses Defendant's standing argument first. *Friery v. Los Angeles Unified Sch. Dist.*, 448 F.3d 1146, 1148 (9th Cir. 2006) ("As standing implicates Article III limitations on our power to decide a case, we must address it before proceeding to the merits."). The Court then turns to Defendant's personal jurisdiction argument. Because the Court resolves the case by addressing only Article III standing and personal jurisdiction, the Court confines its review of the applicable legal standards to those under Rules 12(b)(1) and 12(b)(2).

A. Motion to Dismiss under Rule 12(b)(1)

A motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(1) tests whether the court has subject matter jurisdiction. While lack of "statutory standing" requires dismissal for failure to state a claim under Rule 12(b)(6), lack of Article III standing requires dismissal for want of subject matter jurisdiction under Rule 12(b)(1). *See Nw. Requirements Utilities v. F.E.R.C.*, 798 F.3d 796, 808 (9th Cir. 2015) ("Unlike Article III standing, however, 'statutory standing' does not implicate our subject-matter jurisdiction." (citing *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 128 n.4 (2014)); *Maya v. Centex Corp.*, 658 F.3d 1060, 1067 (9th Cir. 2011). "A Rule 12(b)(1) jurisdictional attack may be facial or factual." *Safe Air for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004).

***3** "In a facial attack, the challenger asserts that the allegations contained in a complaint are insufficient on their face to invoke federal jurisdiction." *Id.* The court "resolves a facial attack as it would a motion to dismiss under Rule 12(b)(6): Accepting the plaintiff's allegations as true and drawing all reasonable inferences in the plaintiff's favor, the court determines whether the allegations are sufficient as a legal matter to invoke the court's jurisdiction." *Leite v. Crane Co.*, 749 F.3d 1117, 1121 (9th Cir. 2014).

"[I]n a factual attack," on the other hand, "the challenger disputes the truth of the allegations that, by themselves, would otherwise invoke federal jurisdiction." *Safe Air for Everyone*, 373 F.3d at 1039. In resolving such an attack, unlike with a motion to dismiss under Rule (12)b(6), a court "may review evidence beyond the complaint without converting the motion to dismiss into a motion for summary judgment." *Id.* Moreover, the court "need not presume the truthfulness of the plaintiff's allegations." *Id.* Once the defendant has moved to dismiss for lack of subject matter jurisdiction under Rule 12(b)(1), the plaintiff bears the burden of establishing the court's jurisdiction. *See Chandler v. State Farm Mut. Auto Ins. Co.*, 598 F.3d 1115, 1122 (9th Cir. 2010).

B. Motion to Dismiss under Rule 12(b)(2)

In a motion challenging personal jurisdiction under Federal Rule of Civil Procedure 12(b)(2), the plaintiff, as the party seeking to invoke the jurisdiction of the federal court, has the burden of establishing that jurisdiction exists. *See Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 800 (9th Cir. 2004). When the motion to dismiss constitutes a defendant's initial response to the complaint, the plaintiff need only make a prima facie showing that personal jurisdiction exists. *See Data Disc, Inc. v. Sys. Tech. Assocs., Inc.*, 557 F.2d 1280, 1285 (9th Cir. 1977). While a plaintiff cannot "simply rest on the bare allegations of its complaint, uncontroverted allegations in the complaint must be taken as true [and] [c]onflicts between parties over statements contained in affidavits must be resolved in the plaintiff's favor." *Schwarzenegger*, 374 F.3d at 800 (quotation marks and citations omitted).

C. Leave to Amend

If the Court determines that a complaint should be dismissed, it must then decide whether to grant leave to amend. Under Rule 15(a) of the Federal Rules of Civil Procedure, leave to amend "shall be freely given when justice so requires," bearing in mind "the underlying purpose of Rule 15 to facilitate decisions on the merits, rather than on the pleadings or technicalities." *Lopez v. Smith*, 203 F.3d 1122, 1127 (9th Cir. 2000) (en banc) (alterations and internal quotation marks omitted). When dismissing a complaint for failure to state a claim, "a district court should grant leave to amend even if no request to amend the pleading was made, unless it determines that the pleading could not possibly be cured by the allegation of other facts." *Id.* at 1130 (internal quotation marks omitted). Accordingly, leave to amend generally shall be denied only if allowing amendment would unduly prejudice the opposing party, cause undue delay, or be futile, or if the moving party has acted in bad faith. *Leadsinger, Inc. v. BMG Music Publ'g*, 512 F.3d 522, 532 (9th Cir. 2008).

III. DISCUSSION

Defendant moves to dismiss Plaintiff's Complaint for lack of Article III standing, lack of personal jurisdiction, improper venue, and failure to state a claim. Mot. at 11-26. Because the Court must address jurisdictional concerns first, the Court begins its analysis with Defendant's argument that Plaintiff lacks Article III standing. *Friery*, 448 F.3d at 1148 ("As standing implicates Article III limitations on our power to decide a case, we must address it before proceeding to the merits."). The Court then turns to Defendant's contention that personal jurisdiction is lacking. As explained below, the Court concludes that Plaintiff alleges Article III standing but that the Court lacks personal jurisdiction over Defendant. Consequently, the Court does not reach Defendant's remaining arguments.

A. Article III Standing

***4** "From Article III's limitation of the judicial power to resolving 'Cases' and 'Controversies,' and the separation-of-powers principles underlying that limitation, we have deduced a set of requirements that together make up the 'irreducible constitutional minimum of standing.' " *Lexmark*, 572 U.S. at 125 (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992)). "[T]he irreducible constitutional minimum of standing contains three elements:" (1) an injury in fact (2) that is fairly traceable to the challenged conduct of the defendant; and (3) that is likely to be redressed by a favorable judicial decision. *Lujan*, 504 U.S. at 560-61. "The party invoking federal jurisdiction bears the burden of establishing these elements…with the manner and degree of evidence required at the successive stages of the litigation." *Id*. at 561. "At the pleading stage, general factual allegations of injury resulting from the defendant's conduct may suffice, for on a motion to dismiss we presume that general allegations embrace those specific facts that are necessary to support the claim." *Id*. (quotation marks and internal alterations omitted).

At the outset, the Court notes that Defendant conflates Article III standing and "statutory standing." *See* Mot. at 11-15. Defendant contends "[t]here is no Case or Controversy" between the parties, but then proceeds to argue that Plaintiff's suit does not come within the zone of interests for a Lanham Act false advertising claim and that Plaintiff's injuries are not proximately caused by violations of the statute. *Id.* at 11. The "zone of interests" and "proximate causality" inquiries are relevant for "determin[ing] the meaning of the congressionally enacted provision creating a cause of action"—that is, whether a plaintiff has "statutory standing." *Lexmark*, 572 U.S. at 128-29.

As the United States Supreme Court explained in *Lexmark*, "statutory standing" is a "misleading" term because "the absence of a valid…cause of action does not implicate subject-matter jurisdiction, *i.e.*, the court's statutory or constitutional *power* to adjudicate the case." *Lexmark*, 572 U.S. at 128 n.4. Rather, "statutory standing," insofar as courts continue to use the term, is simply a shorthand for determining, "using traditional tools of statutory interpretation, whether a legislatively conferred cause of action encompasses a particular plaintiff's claim." *Id.* at 127. "In other words, we ask whether [a plaintiff] has a cause of action under the statute," and this inquiry is entirely separate from whether a plaintiff has standing under Article III. *Id.* at 125-26, 128.

Nonetheless, because Defendant characterizes its argument as one involving Article III standing and because "standing implicates Article III limitations on our power to decide a case," the Court construes Defendant's argument as one contending that Plaintiff has not adequately alleged an injury in fact. *See Friery*, 448 F.3d at 1148. Additionally, Defendant's argument is best construed as a facial attack whereby "the allegations contained in a complaint are insufficient on their face to invoke federal jurisdiction." *Safe Air for Everyone*, 373 F.3d at 1039. The court "resolves a facial attack as it would a motion to dismiss under Rule 12(b)(6): Accepting the plaintiff's allegations as true and drawing all reasonable inferences in the plaintiff's favor, the court determines whether the allegations are sufficient as a legal matter to invoke the court's jurisdiction." *Leite*, 749 F.3d at 1121.

"To establish injury in fact, a plaintiff must show that he or she suffered 'an invasion of a legally protected interest' that is 'concrete and particularized' and 'actual or imminent, not conjectural or hypothetical.' " *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1548 (2016), *as revised* (May 24, 2016) (quoting *Lujan*, 504 U.S. at 560). "For an injury to be 'particularized,' it must affect the plaintiff in a personal and individual way." *Id.* (quotation marks omitted). Additionally, "[a]n injury in fact must also be 'concrete'…that is, it must actually exist." *Id.*

***5** Here, Plaintiff alleges that Defendant sends out deceptive, unsolicited offers and directs recipients to pay a $980 registration fee to have the recipients' trademark listed in Defendant's publication, even though trademark applications are a matter of public record and, once approved, are published in the USPTO's Official Gazette. Compl. ¶¶ 65-66. Plaintiff alleges that Defendant's unsolicited offer is "deliberately constructed to deceive recipients into thinking the unsolicited offer is a bill so the recipient will send a check as a payment for something they think is already owed to protect a trademark." *Id.* ¶ 80. As a result of Defendants' actions, Plaintiff asserts that "significant business" was deceptively diverted to Mailer Defendants. *Id.* ¶ 198. Plaintiff also alleges that Plaintiff's business reputation was harmed because Plaintiff "received inquiries from its clients confused about the unsolicited actions by the Mailer Defendants and worried that [Plaintiff's] services to the clients were somehow deficient." *Id.* ¶ 199. Plaintiff claims that it spent "valuable time and expenses to investigate the facts to appropriately advise its clients." *Id*. ¶ 200.

Under *Lexmark*, "allegations of lost sales and damage to…business reputation" are sufficient to "give [a plaintiff] standing under Article III to press [a] false-advertising claim." 572 U.S. at 125. Plaintiff's allegations are admittedly general, but they sufficiently allege damage to business reputation caused by Defendant's alleged false advertising. *See Lujan*, 504 U.S. at 561 ("At the pleading stage, general factual allegations of injury resulting from the defendant's conduct may suffice, for on a motion to dismiss we presume that general allegations embrace those specific facts that are necessary to support the claim." (quotation marks and internal alterations omitted)). According to Plaintiff, Defendant's unsolicited offers "confused" clients and led them to believe that Plaintiff's "services…

were somehow deficient," thereby leading to reputational injury. Compl. ¶ 199. At this stage, that is enough, especially as the Court must "[a]ccept[ ] the plaintiff's allegations as true and draw[ ] all reasonable inferences in the plaintiff's favor." *Leite*, 749 F.3d at 1121; *see also Homeland Housewares, LLC v. Sharkninja Operating LLC*, 2016 WL 4154676, at *2-3 (C.D. Cal. Aug. 2, 2016) (holding that allegations that a defendant's false advertising damaged the reputation of a plaintiff's products in the mind of consumers and retail buyers were sufficient to allege an injury in fact).

Accordingly, Plaintiff adequately alleges an injury in fact at this stage of the litigation and therefore has Article III standing to pursue its false advertising claim. The Court thus DENIES Defendant's motion to dismiss for lack of subject matter jurisdiction. The Court now turns to Defendant's personal jurisdiction argument.

B. Personal Jurisdiction

Defendant contends that Plaintiff fails to allege personal jurisdiction over Defendant. "Where a defendant moves to dismiss a complaint for lack of personal jurisdiction, the plaintiff bears the burden of demonstrating that jurisdiction is appropriate." *Schwarzenegger*, 374 F.3d at 800. "Where, as here, the motion is based on written materials rather than an evidentiary hearing, the plaintiff need only make a prima facie showing of jurisdictional facts. In such cases, we only inquire into whether [the plaintiff's] pleadings and affidavits make a prima facie showing of personal jurisdiction." *Id.* (quotation marks omitted).

To determine the propriety of asserting personal jurisdiction over a defendant, the Court examines whether such jurisdiction is permitted by the applicable state's long-arm statute and comports with the demands of federal due process. *Harris Rutsky & Co. Ins. Servs., Inc. v. Bell & Clements, Ltd.*, 328 F.3d 1122, 1129 (9th Cir. 2003) (determining scope of California's long-arm statute and examining federal due process requirements). California's long-arm statute, Cal. Civ. Proc. Code § 410.10, is coextensive with federal due process requirements, and therefore the jurisdictional analyses under state law and federal due process merge into one. *See* Cal. Civ. Proc. Code § 410.10 ("[A] court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States."); *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218, 1223 (9th Cir. 2011) ("California's long-arm statute, Cal. Civ. Proc. Code § 410.10, is coextensive with federal due process requirements, so the jurisdictional analyses under state law and federal due process are the same."). For a court to exercise personal jurisdiction over a defendant consistent with due process, that defendant must have "certain minimum contacts" with the relevant forum "such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice." *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quotation marks omitted). In addition, "the defendant's 'conduct and connection with the forum State' must be such that the defendant 'should reasonably anticipate being haled into court there.' " *Sher v. Johnson*, 911 F.2d 1357, 1361 (9th Cir. 1990) (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

***6** Courts "recognize[ ] two types of personal jurisdiction: 'general' (sometimes called 'all-purpose') jurisdiction and 'specific' (sometimes called 'case-linked') jurisdiction." *Bristol-Myers Squibb Co. v. Superior Court of Cal., San Francisco Cty.*, 137 S. Ct. 1773, 1779 (2017) (quoting *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915, 918 (2011)). General jurisdiction exists where a defendant is physically present or where a defendant's activities in the state are so "continuous and systematic" such that the contacts approximate physical presence in the forum state. *See Schwarzenegger*, 374 F.3d at 801 (citation omitted). "A court with general jurisdiction may hear *any* claim against that defendant, even if all the incidents underlying the claim occurred in a different State," "[b]ut only a limited set of affiliations with a forum will render a defendant amenable to general jurisdiction in that State." *Id.* at 1780. Plaintiff does not allege that general jurisdiction is proper here.

Rather, Plaintiff contends that the Court has specific jurisdiction over Defendant. Opp. at 7-12. Specific jurisdiction is proper when a suit "aris[es] out of or relate[s] to the defendant's contacts with the forum." *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 n.8 (1984). Whether a court has specific jurisdiction over a nonresident defendant "focuses on the relationship among the defendant, the forum, and the litigation," and "the defendant's suit-related conduct must create a substantial connection with the forum." *Walden v. Fiore*, 571 U.S. 277, 285 (2014). "When there is no such connection, specific jurisdiction is lacking regardless of the extent of a defendant's unconnected activities in the State." *Bristol-Myers*, 137 S. Ct. at 1781; *see Goodyear*, 564 U.S. at 931 n.6 ("[E]ven regularly occurring sales of a product in a State do not justify the exercise of jurisdiction over claims *unrelated to those sales*." (emphasis added)).

1. Specific Jurisdiction

For specific jurisdiction, the Ninth Circuit has adopted a three-prong test that requires the plaintiff to show that: (1) the defendant purposefully directed its activities at residents of the forum or purposefully availed itself of the privilege of doing business in the forum; (2) the plaintiff's claim arises out of or relates to those activities; and (3) the assertion of personal jurisdiction is reasonable and fair. *Schwarzenegger*, 374 F.3d at 802. It is the plaintiff's burden to plead allegations satisfying the first two prongs. *Id*. If the plaintiff does so, the burden shifts to the defendant to show why the exercise of personal jurisdiction would not be reasonable and fair. *Id*.

The parties contest the first two prongs of the specific jurisdiction test. Mot. at 16; Opp. at 8 n.2. The Court holds that specific jurisdiction—and therefore personal jurisdiction—is absent here because Plaintiff fails to allege that the claims arise out of or relate to Defendant's forum-related activities. Because the Court resolves this case on the second prong of the specific jurisdiction inquiry, the Court declines to address the arguments pertaining to the first prong.

a. Arise Out of Defendant's Forum-Related Activities

Plaintiff bears the burden of demonstrating that jurisdiction is appropriate, and specifically, that Plaintiff's claims arise out of or relate to Defendant's forum-related activities. *Schwarzenegger*, 374 F.3d at 800, 802. The Ninth Circuit applies a "but for" test to analyze the "arises out of" requirement. *Menken v. Emm*, 503 F.3d 1050, 1058 (9th Cir. 2007). Under this inquiry, a "plaintiff must show that 'but for' the defendant's forum-related conduct, the injury would not have occurred." *San Diego Cty. Credit Union v. Citizens Equity First Credit Union*, 325 F. Supp. 3d 1088, 1101 (S.D. Cal. 2018) (quotation marks omitted).

***7** Plaintiff, in a single sentence, asserts that it satisfies the "arises out of" requirement because Defendant "directly sends mail to California residents and would then receive ill-gotten checks from California residents." Opp. at 11. Plaintiff, however, never alleges any of the California residents who received Defendant's unsolicited offers were Plaintiff's clients. Nor does Plaintiff allege that it received Defendant's offer in California as opposed to in Arizona. *See supra* n.3; Compl. ¶ 18 (noting that Plaintiff has offices in Mountain View, California and Tempe, Arizona and that Plaintiff has clients "in all 50 states and more than 300 cities and towns across America").

This defect is fatal for Plaintiff's personal jurisdiction argument. The United States Supreme Court has repeatedly reiterated that it is "the defendant's suit-related conduct [that] must create a substantial connection with the forum." *Walden*, 571 U.S. at 285. "When there is no such connection, specific jurisdiction is lacking regardless of the extent of a defendant's unconnected activities in the State." *Bristol-Myers*, 137 S. Ct. at 1781; *see also Goodyear*, 564 U.S. at 931 n.6 ("[E]ven regularly occurring sales of a product in a State do not justify the exercise of jurisdiction over claims *unrelated to those sales*." (emphasis added)). Indeed, *Bristol-Myers* is particularly instructive to this case.

In *Bristol-Myers*, "[a] group of plaintiffs—consisting of 86 California residents and 592 residents from 33 other States—filed eight separate complaints in California Superior Court." 137 S. Ct. at 1778. The California Supreme Court held that specific jurisdiction was proper over both residents and nonresidents alike because "the strength of the requisite connection between the forum and the specific claims at issue [could be] relaxed [because] the defendant ha[d] extensive forum contacts that [were] unrelated to [the nonresidents'] claims." *Id*. at 1781. The United States Supreme Court reversed and concluded that "[f]or specific jurisdiction, a defendant's general connections with the forum are not enough," and that rather, "there must be an affiliation between the forum and the underlying controversy, principally, an activity or an occurrence that takes place in the forum State." *Id*. (quotation marks and internal alterations omitted). A contrary holding, the United States Supreme Court held, would conflate specific and general jurisdiction and elide important distinctions between the two. *See id.* ("Under the California [Supreme Court's] approach, the strength of the requisite connection between the forum and the specific claims at issue is relaxed if the defendant has extensive forum contacts that are unrelated to those claims. Our cases provide no support for this approach, which resembles a loose and spurious form of general jurisdiction.").

Here, the only evidence Plaintiff proffered was a redacted copy of one of Defendant's offers that Plaintiff received. *See* ECF No. 1-1, Ex. 13. According to Defendant, however, that offer was sent to Arizona, not California, Popovics Decl. ¶ 14, and Plaintiff never contests Defendant's assertion. Furthermore, Plaintiff also fails to proffer any evidence that its clients received Defendant's unsolicited offer in California. Therefore, because Plaintiff fails to allege that any California residents who received Defendant's solicitations were Plaintiff's clients—or that Plaintiff received solicitations in California versus Arizona—Defendant's forum-related activities cannot be characterized as a but-for cause of Plaintiff's claims and injuries. Plaintiff's claims and injuries did not arise because Defendant may have sent unsolicited offers to California residents unconnected to Plaintiff or this lawsuit. "[S]pecific jurisdiction is confined to adjudication of issues deriving from, or connected with, the very controversy that establishes jurisdiction." *Bristol-Meyers*, 137 S. Ct. at 1780 (quotation marks omitted); *see Goodyear*, 564 U.S. at 931 n.6 ("[E]ven regularly occurring sales of a product in a State do not justify the exercise of jurisdiction over claims *unrelated to those sales*." (emphasis added)). Those residents who received Defendant's unsolicited offer in California may be able to assert personal jurisdiction over Defendant, but with the facts as currently pled, Plaintiff may not. In other words, in the instant case, the Court lacks personal jurisdiction over Defendant.

***8** Accordingly, the Court GRANTS Defendant's motion to dismiss for lack of personal jurisdiction. Nonetheless, because granting Plaintiff an additional opportunity to amend the complaint would not be futile, cause undue delay, or unduly prejudice Defendants, and Plaintiff has not acted in bad faith, the Court GRANTS Plaintiff leave to amend. *See Leadsinger, Inc.*, 512 F.3d at 532.

2. Jurisdictional Discovery

Plaintiff makes a request for jurisdictional discovery in the event the Court determines that Plaintiff has not sufficiently pleaded facts to support personal jurisdiction. Opp. at 12-13. "[D]iscovery should ordinarily be granted where pertinent facts bearing on the question of jurisdiction are controverted or where a more satisfactory showing of the facts is necessary." *Laub v. U.S. Dep't of the Interior*, 342 F.3d 1080, 1093 (9th Cir. 2003) (quotation marks omitted). A court can deny jurisdictional discovery, however, "when it is clear that further discovery would not demonstrate facts sufficient to constitute a basis for jurisdiction," *Am. W. Airlines, Inc. v. GPA Group, Ltd.*, 877 F.2d 793, 801 (9th Cir. 1989) (quotation marks omitted), or where the request for discovery is "based on little more than a hunch that it might yield jurisdictionally relevant facts," *Boschetto v. Hansing*, 539 F.3d 1011, 1020 (9th Cir. 2008). Because discovery could demonstrate facts sufficient to confer jurisdiction, *see Am. W. Airlines, Inc.*, 877 F.2d at 801, the Court therefore permits jurisdictional discovery.

IV. CONCLUSION

For the foregoing reasons, the Court DENIES Defendant's motion to dismiss for lack of subject matter jurisdiction. The Court GRANTS Defendant's motion to dismiss for lack of personal jurisdiction with leave to amend and GRANTS Plaintiff's request for jurisdictional discovery. Plaintiff shall file any amended complaint within 30 days of this Order. Failure to file an amended complaint within 30 days or failure to cure the deficiencies identified herein or in Defendant's motion to dismiss will result in dismissal of Plaintiff's claims against Defendant with prejudice. Plaintiff may not add new causes of action or parties without a stipulation or leave of the Court.

IT IS SO ORDERED.

Dated: November 14, 2019

LUCY H. KOH

United States District Judge

All Citations

Slip Copy, 2019 WL 6036618

Footnotes

1 Defendant's motion to dismiss contains a notice of motion that is separately paginated from the memorandum of points and authorities in support of the motion. *See* Mot. at 1-2. Civil Local Rule 7-2(b) provides that the notice of motion and points and authorities should be contained in one document with a combined limit of 25 pages. *See* Civ. Loc. R. 7-2(b).

2 Defendant filed a supporting declaration from Richard Popovics, the President of WTMR, LLC, who noted that Defendant is "a privately owned publishing company, incorporated in Delaware ...[with] a current address at 601 13th Street, NW Suite 900 South, Washington, D.C. 20005." ECF No. 52 ¶ 3 ("Popovics Decl."). Popovics also explained that Defendant is not registered to do business in California and has no offices, employees, subsidiaries, or agents in California. *Id*. ¶ 9. Furthermore, Defendant does not maintain any bank accounts or financial accounts in California, and Defendant does not own or lease any real or personal property in California. *Id.* ¶¶ 10-11.

3 Plaintiff attached a redacted copy of one of Defendant's offers to the Complaint as Exhibit 13. *See* ECF No. 1-1, Ex. 13. According to Defendant, Exhibit 13 was sent to Arizona, not California. Popovics Decl. ¶ 14. Plaintiff never contests that Exhibit 13 was sent to its Arizona office and not its California office. Plaintiff also fails to proffer any evidence that its clients received Defendant's unsolicited offer in California.

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