

Receipt number 9998-3969908

THE UNITED STATES COURT OF FEDERAL CLAIMS

MAY 22 2017

EVIDEO INCORPORATED, MAURO
DIDOMENICO, CRAIG L. LINDEN, and
REALVIRT LIMITED LIABILITY
CORPORATION, individually and on behalf
of a class of all those similarly situated,

Plaintiffs,

v.

THE UNITED STATES,

Defendant.

No. 17-663 C

CLASS ACTION COMPLAINT – (SAWS II)¹

PLAINTIFFS eVideo Incorporated (“eVideo Inc.”), Mauro DiDomenico, Craig L. Linden and RealVirt Limited Liability Corporation (“Realvirt LLC”), individually and on behalf of a class of all those similarly situated, bring this action pursuant to 28 U.S.C. § 1491, the “Tucker Act”, against DEFENDANT the United States of America (“United States”), and allege on knowledge, information and belief as follows:

¹ This Complaint is brought subsequent to the United States Court of Federal Claims final order in *eVideo Owners v. United States*, Case No. 1:15-cv-00413-LKG (‘413), a related action involving similar parties and issues. *See* Court of Claims Case No. ‘413, Dkt. No. 22, entered on March 31, 2016. Subsequently, On March 13, 2017, the Court of Claims final order was affirmed by judgment entered without separate opinion by the United States Court of Appeals for the Federal Circuit in Appeal No. 16-2149. The Court of Appeals issued its mandate on May 4, 2017 (16-2149, Dkt. No. 42). On May 21, prior to this filing, the plaintiffs-appellants in appeal no. 16-2149 expressly disclaimed their right to any further appeal. *See* EXHIBIT 1. No other related complaints have been filed. Accordingly, 28 U.S.C. § 1500 does not divest this Court from exercising jurisdiction over this complaint. *See Brandt v. United States*, 710 F.3d 1369 (Fed. Cir. 2013).

JURISDICTION²

1. Pursuant to 28 U.S.C. §§ 1491(a)(1) and (2) under the Tucker Act, this Court has jurisdiction and is the proper venue for Plaintiffs' claims for money damages and accompanying relief against the United States based on the implied in fact contracts associated with Plaintiffs' respective patent applications.

PARTIES

2. Plaintiff eVideo Inc., a Delaware Corporation, with an address at 25070 Bay Cedar Drive, Bonita Springs, Florida 34134, is the current assignee of the ownership rights in U.S. patent application serial nos. 09/840,868 and 13/333,840 (the "eVideo applications") filed with the United States Patent and Trademark Office (the "PTO") for examination toward issue as U.S. patent(s).

3. Plaintiff Mauro DiDomenico ("Dr. DiDomenico"), a U.S. citizen with an address at 25070 Bay Cedar Drive, Bonita Springs, Florida 34134, is named in the alternative to eVideo

² In *eVideo Owners v. United States*, Case No. 1:15-cv-00413-LKG, the Court of Claims dismissed the complaint for lack of subject matter jurisdiction and for failure to state claim because the complaint in that matter allegedly failed to provide sufficient intertwined facts to establish "the existence of an implied-in-fact contract with the United States" See '413 Dkt. No. 22, page 10, ¶ 2. Also compare *Spruill v. Merit Systems Protection Bd.*, 978 F. 2d 679, 688 (Fed. Cir. 1992). In this complaint, Plaintiffs have supplied additional information regarding the implied in fact contracts to address the jurisdictional challenges to the prior complaint. Compare *Watson v. United States*, 349 Fed. Appx. 542, 544 (Fed. Cir. 2009). Thus, the claims in this complaint are not barred as *res judicata* because the earlier dismissal for lack of jurisdiction did not reach the merits of any claim. Therefore, the Court of Claims dismissal in the '413 matter was without prejudice to the plaintiffs in that case filing a new suit in a court with proper jurisdiction to address the merits. See *Richmond, Fredericksburg and Potomac R.R. v. United States*, 27 Fed. Cl. 275, 286 (1992) (citing *Scott Aviation v. United States*, 953 F.2d 1377, 1378 (Fed. Cir. 1992)).

Inc., as the owner of the eVideo applications based on a reversionary interest held by him of the ownership rights. *See* EXHIBIT 2 – March 27, 2001 signed Assignment and Reversion.

4. At the time this Complaint was filed, it could not be ascertained with adequate certainty whether the reversion in ownership of the eVideo applications to Dr. DiDomenico contemplated by the Assignment and Reversion (EXHIBIT 2) has executed. Thus, Dr. DiDomenico and eVideo Inc. are both named as plaintiffs, in the alternative, with respect to the implied in fact contracts associated with the eVideo applications.

5. Plaintiff Craig L. Linden, a U.S. citizen residing at 1335 Midway Drive, Alpine, California 91901, is the sole inventor and thus the owner of unassigned U.S. patent application serial nos. 09/856,228, 10/469,800 and 12/172,993.

6. Plaintiff Realvirt LLC (“Realvirt”), a corporation existing under the laws of the commonwealth of Massachusetts with a business address at Post Office Box 779, Sherborn, Massachusetts 01770, is the current assignee and claimed owner of U.S. patent application serial nos. 07/773,161 and 13/368,316.³

7. Defendant, the United States of America, is the proper party to be sued under 28 U.S.C. § 1491. The PTO is an administrative agency of the Defendant and is responsible for conducting examinations for patentability of all patent applications that are filed in the United

³ Ownership of the Realvirt applications claimed by Realvirt in this action, was challenged by the PTO in an a separate action brought by Realvirt pursuant to 35 U.S.C. § 145 in the United States District Court for the Eastern District of Virginia, Case No. 1:15-CV-00963 (Ellis, J.). The District Court determined at summary judgment phase that Realvirt did not have standing to bring the action. Realvirt appealed the District Court’s ruling regarding standing to the United States Court of Appeals for the Federal Circuit in appeal No. 2016-2669. That appeal has been fully briefed. At the time of this filing, scheduling of oral argument before the Court of Appeals had been stayed pending the outcome of an issue in that appeal that is unrelated to Realvirt’s standing.

States. This includes the above-noted patent applications owned by the Plaintiffs as well as other patent applications owned by members of the proposed Class yet to be identified.

8. Members of the proposed Class are owners (or their assigns) of those patent applications which were designated without notice into the Sensitive Application Warning System (“SAWS”) program at the PTO. SAWS was an internal program that was kept secret from patent applicants with applications pending before the PTO, as well as the public, while the program had been implemented for several years within the PTO before it was terminated in March 2015.

NATURE OF ACTION

9. This action is brought under the Tucker Act for breach and damages based on implied in fact contracts which are inferred to have existed between the Defendant and Plaintiffs or members of the Class, *i.e.*, inventors as patent applicants, or their assigns as the patent applicants or subsequent owners of the subject patent applications and/or issued patents (*i.e.*, “SAWS applicants”), associated or connected with those patent applications which had been filed at the PTO for patent examination and which further had been designated by the PTO into the SAWS program without notice during the patent examination process of the respective applications (*i.e.*, “SAWS patent applications” or “SAWS applications”).

10. The implied in fact contracts in this action are inferred, as a fact, from the conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding of an implied in fact contract. *See Hercules Inc. v. United States*, 516 U.S. 417, 424 (1996). In this case it is the conduct of the SAWS applicants and the officials at the PTO, acting on behalf of the PTO Director, and showing, in the light of the surrounding circumstances, their tacit

understanding of an implied in fact contract for patent examination services provided by the PTO with respect to each SAWS application filed and examined at the PTO.

11. Plaintiffs contend that the initial filing of an application and subsequent filing of other documents with respect to each SAWS application, the communicating of correspondence to and from the PTO, the paying of official fees by a SAWS applicant and other actions taken with respect to each of the SAWS applications while undergoing examination at the PTO: all these actions represent conduct that is commensurate with the implied in fact contracts which are inferred to have existed between the PTO and the SAWS applicants based on the underlying patent application. Plaintiffs further contend that a designation by the PTO of a SAWS application into the SAWS program, during the course of patent examination, when done by the PTO without notice to the SAWS applicant of the SAWS designation, was a breach of the implied in fact contract based on the underlying SAWS application and a basis for damages which stemmed from the SAWS designation.

12. An implied in fact contract under the Tucker Act requires an authorized representative of the government to enter into the contract. *See Eastern Extension, Australasia & China Telegraph Co. v. United States*, 251 U.S. 355, 366 (1920). An implied in fact contract also requires an offer, acceptance, and consideration along with actions expressing intent to enter into the implied contract by the contractual participants. *See Trauma Service Group v. United States*, 104 F.3d 1321, 1326 (Fed. Cir. 1997).

13. The “authorized representative” in the implied in fact contracts of this action, having authority to bind the Defendant in each respective implied contract associated with each underlying SAWS patent application, is the Director of the PTO. The PTO Director is authorized by statute to accept patent applications that, when filed with the PTO, comply with

well-defined format and procedural requirements and under precisely structured prices for specific patent examination services published on behalf of the PTO Director in the PTO schedule of official fees.

14. The PTO Director is authorized to act as the “authorized representative” through a plurality of statutes within the Patent Act, 35 United States Code (“U.S.C.”). For example, 35 U.S.C. § 111(a) states, in part: “An application for patent shall be made...in writing *to the Director*...[s]uch application shall include...a specification as prescribed...a drawing as prescribed...and...an oath or declaration as prescribed...[t]he application shall be accompanied by the fee required by law” (emphasis added). Congress authorizes the PTO Director, pursuant to 35 U.S.C. § 41, to charge official fees for all aspects of patent examination, including initial filing fees as well as subsequent, often substantial, official fees that are paid during the examination process. The PTO Director is also given responsibility under 35 U.S.C. § 3(a)(2)(A) with providing “management supervision for the [PTO] and for the issuance of patents” from examined patent applications.

15. In this action, the PTO Director manifests, in several ways, their “offer”⁴ to accept patent applications for examination and to provide examination services in exchange for the payments of official fees. The PTO Director, and the PTO Director’s predecessor – the Patent Commissioner, have for several decades manifested this “offer” to accept applications for examination services, through the publishing of PTO publications regarding the manner in which patent applications are to be filed, what documents or PTO forms are also required and through

⁴ An “offer” is defined quite broadly within §24 of Restatement of Contracts Second as a “manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it.”

publishing and updating the PTO schedule of official fees which has been updated on an ongoing basis for several decades. More recently, the PTO Director also manifests this “offer” through the PTO website at www.uspto.gov wherein the PTO Director provides public notice, via the internet, of their willingness to accept patent applications for examination and to provide patent examination services in exchange for official fees paid by the patent applicants, or paid on their behalf.

16. One of the most salient PTO publications manifesting the PTO Director’s “offer” for accepting patent applications for examination services is the PTO Manual of Patent Examining Procedure (the “MPEP”). The MPEP is published on behalf of the PTO Director, pursuant to 35 U.S.C. § 10(a)(6) & (b). It is a compendium on every aspect of the patent examination process and provides significant details about requirements expected from patent applicants and PTO officials at every step of the examination process. The MPEP was originally published in 1949. The Ninth Edition was first published in March 2014. The Latest Revision of the Ninth Edition was published in November 2015 is available through the internet. *See* <https://mpep.uspto.gov>.

17. Although the MPEP is just one manifestation of the “offer” by the PTO Director in the implied in fact contracts in this action, it is illustrative as it provides detailed instructions, with citations to statutes and rules, on how patent applications are to be filed initially, when and by what means official fees are to be paid by the applicants and how applicants and PTO officials are to conduct themselves in almost every anticipated scenario which may arise during the course of almost any patent examination process. The MPEP provides extensive guidance on how patent applicants and the PTO are expected to communicate with each other on all types of issues throughout the entire course of any patent examination process. For example, MPEP

Chapter 500 sets forth detailed guidances regarding how papers and mail associated with a patent application are to be handled, including, at MPEP 509, the manner and amount of payment of various official fees. MPEP Chapter 600 sets forth detailed guidances regarding the required parts, form and content of an application. MPEP Chapter 700 sets forth detailed guidances regarding how the parties are to engage and communicate in various procedural scenarios which may occur throughout the patent examination process. Furthermore, although the MPEP does not have the force of law, it is entitled to judicial notice, so far as it is an official interpretation of statutes or regulations with which it is not in conflict, and it is commonly relied upon as a guide to patent attorneys and patent examiners at the PTO on procedural matters. *See Airbus S.A.S. v. Firepass Corp.*, 793 F.3d 1376, 1380 (Fed. Cir. 2015)

18. An aspect of the MPEP that relates to the breach of the implied in fact contracts in this action is the failure of the PTO to notify Plaintiffs of the SAWS designations imposed by the PTO on their underlying patent applications. As explained in greater detail below, a SAWS designation is, in effect, a rejection or objection of a patent application which could have been based on any number of a wide variety of reasons, none of which were ever communicated or explained to the SAWS applicants. MPEP Section 700, is entitled: “Examination of Applications”. At Section 706 – Rejection of Claims, the MPEP states: “The goal of examination is to clearly articulate any rejection early in the prosecution process so that the applicant has the opportunity to provide evidence of patentability and otherwise reply completely at the earliest opportunity.” MPEP Section 706 fully recites 37 C.F.R. § 1.104(c). At several other locations the MPEP also cites to 37 C.F.R. § 1.104 in whole or in part.

19. 37 C.F.R. § 1.104, at § 1.104(a)(2) states, in part: “The reasons for any adverse action or any objection or requirement *will be stated in an Office action* [from the PTO] and *such*

information or references will be given as may be useful in aiding the applicant, or...the patent owner, to judge the propriety of continuing the prosecution” (emphasis added). This is also codified in the Patent Act at 35 U.S.C. § 132(a) which states, in part: “*Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application”* (emphasis added).

20. Plaintiffs emphasize that the failure by the PTO to notify them of the SAWS designation on their SAWS patent applications was a clear breach of the implied in fact contracts associated with the underlying applications based, at least in part on the MPEP, as part of the “offer” in the implied contracts. In addition, the SAWS designations without notice were clearly violations of 37 C.F.R. § 1.104(a)(2) and 35 U.S.C. § 132(a).

21. The “acceptance” in each implied contract in this action were the actions taken by a SAWS applicant in the initial filing of a SAWS patent application coupled with their paying of official fees associated with the initial filing of the application. This “acceptance” occurred with respect to each of the above-noted SAWS applications as indicated by the patent application serial numbers issued by the PTO. Furthermore, public records of the prosecution histories of all of the above-noted SAWS applications confirm these actions took place. These records, which show clear evidence of the filed applications as well as the official fees paid with respect to each of the above-noted SAWS applications, are available through the PTO website and can all be accessed there based on the above-noted patent application serial numbers.

22. The “consideration” in each implied contract of this action is the amounts of the payment made by a SAWS applicant of official filing fees with respect to an initial filing of a

SAWS application as well as the amounts of the subsequent official fees paid during the course of examination. The public record of the prosecution histories of all of the above-noted SAWS applications confirms these actions took place.

23. The SAWS applicants expressed their “assent to enter” the implied in fact contracts with the PTO through their actions in filing their respective SAWS applications along with their making payment of the initial filing fees to the PTO. The public record of the prosecution histories of all of the above-noted SAWS applications confirms these actions took place.

24. Initially, the PTO expressed its “intent to be bound” in the implied in fact contracts by accepting the filed SAWS applications and initial filing fees paid by the SAWS applicants and then issuing an Official Filing Receipt or a related PTO acknowledgment. The PTO continued expressing its intent to be bound in the implied contracts through further actions taken in the examination of the underlying patent applications. The public record of the prosecution histories of all of the above-noted SAWS applications confirms these actions took place.

25. Currently, the average period of time a U.S. patent application remains pending before the PTO during the patent examination process before final disposition (*i.e.*, either an allowance by the PTO toward issue as a patent, or abandonment of the application based on an applicant’s election that further prosecution is not advisable or desirable) is about three years. Each of the SAWS applications owned by the Plaintiffs is associated with a prosecution period (*i.e.*, the length of time it was pending before the PTO) that is far longer than average.

26. In or about early December 2014, news reports began to emerge about SAWS as being a highly confidential program within the PTO. The SAWS program has been

characterized as a secret examination process because no one outside the PTO, including the SAWS applicants, was ever informed about it. The SAWS program involved an internal review at the PTO of select U.S. patent applications that were chosen to be designated into SAWS based on subject matter criteria. The subject matter criteria for designation into SAWS have been characterized in the media as arbitrary and “Kafkaesque”.

27. The SAWS program does not appear to have been based on any statute or regulation. The program was never proposed for public comment or rule-making. There is no known record that any patent applicant was ever officially notified by the PTO that their patent application(s) had been placed in the SAWS program or given information or advised on how to overcome the SAWS designation.

28. The news reports that emerged in 2015 described the SAWS program as involving a written notice which was circulated internally at the PTO regarding how an application met one or more of the SAWS program eligibility criteria. The news reports also described that, after an application had been designated or associated with the SAWS program, it required a plurality of approvals by multiple PTO officials before a SAWS designated patent application was released from the SAWS program and permitted to reach a final disposition as an allowance.

29. On or about March 2, 2015, the PTO publicly announced that the SAWS program had been discontinued but did not explain the circumstances for the unilateral action other than that the PTO no longer recognized the program as helpful or necessary. The public announcement acknowledged the SAWS program had been active since 1994, but provided no details as to the extent of the program or about any specific patent applications which had been designated into the SAWS program.

30. The news reports suggested that a substantial number of U.S. patent applications had been significantly delayed or outright denied from reaching a final disposition in the examination process due to being designated for review under the SAWS program. Since no U.S. patent applicant was ever officially notified whether their application had been designated as being in the SAWS program, and because the PTO has statutory time limitations requiring it to take some action in an application once the patent examination process has become active, it is not clear what action the PTO may have taken in those applications that had been flagged by a SAWS designation and were held back from allowance strictly because of the SAWS designation, but were otherwise in condition for allowance to issue as a patent despite the SAWS designation.

31. Several requests for information about the SAWS program have been submitted to the PTO under the Freedom of Information Act (“FOIA”) for information regarding the SAWS program by different parties before and after the March 2, 2015 termination. Under the limited disclosures that have been obtained through the FOIA requests, it has been revealed that the SAWS program included dozens of different types of SAWS-eligibility criteria, that the program had been widely implemented throughout the PTO and that it applied to almost every aspect of the patent examination process for utility patent applications, including patent reexaminations, patent reissues and appealed applications.

32. One FOIA request by Dr. Kate Gaudry requested information identifying how many applications were flagged for SAWS evaluation from amongst all those applications filed during each of fiscal years 2006, 2008 and 2010. *See* EXHIBIT 3 – “Secret Patent Examination Program; Rare But Consequential” - Law 360 (January 27, 2015) at page 1, ¶ 4. From the data the PTO provided for fiscal year 2006 in response to this FOIA request, Dr. Gaudry estimated

that average prosecution costs associated with SAWS applications initially filed in this time period was almost double that of ordinary patent applications filed in the same time period. *Id.* at page 3, ¶ 5.

33. Because the PTO has refused to provide any information to any individual patent applicant regarding any specific application being designated into the SAWS program, such as when the application was first designated as a SAWS application, the nature of the individual SAWS designation or the process and responsible PTO officials surrounding it, and when or if the SAWS designation was ever lifted by the PTO, it has been impossible for the Plaintiffs, or any SAWS applicant, to make a precise or accurate showing regarding what amount of damages they suffered as a consequence of the SAWS designation.

34. In this action, assuming jurisdiction is accepted and after discovery has been conducted to ascertain the nature and timing of the specific SAWS designations with respect to the corresponding SAWS applications, Plaintiffs will be able to substantiate their claim for damages as being directly attributable to the SAWS designations connected with the respective SAWS applications.

35. It is absolutely certain that if during the prosecution of any of the underlying SAWS applications, a SAWS applicant had been properly notified of a SAWS designation upon their application while pending before the PTO, the respective SAWS applicant would have been able to take actions to alter the course of the patent examination process in ways to reduce or to completely avoid the continual payment of official fees incurred during *ex parte* prosecution, to reduce or to avoid incurring related attorney fees and to reduce or to avoid any other consequential damages that were suffered by the SAWS applicant, or their assigns, based on the delays and other prejudicial effects associated with the SAWS designation.

36. The actions a SAWS applicant may have taken to avoid the damages associated with a SAWS designation include, but are not limited to, suspending *ex parte* prosecution; making proposals to the PTO in the *ex parte* prosecution to change the claims in the patent application (which is commonly done to expedite allowance); changing the specification of the SAWS application such as by changing the title and/or removing any SAWS sensitive text or drawings in order to try and address or to overcome the SAWS designation and facilitate allowance; addressing the SAWS designation by written comments as being improper; or by abandoning the SAWS application, thus cutting the SAWS applicant's losses through continued payment of official fees and attorney fees, rather than attempt to convince the PTO that the SAWS designation was incorrect or inappropriate.

37. Plaintiffs emphasize that this is a class action lawsuit. Direct causation and quantification of damages with respect to individual Plaintiffs cannot be clearly established until discovery has been conducted and it is first determined (1) when the SAWS application associated with a Plaintiff, or member of the Class, was first designated into the SAWS program as well as (2) the nature of each individual SAWS designation. The class-wide claim for damages applied to the Plaintiffs at this stage is a class action claim for damages, and formulated to be applicable broadly to the whole Class. Individual Plaintiffs or members of the Class in this case can be expected to have some variances in their potential claims of damages based on the PTO's treatment of each specific SAWS patent application after its designation into the SAWS program.

38. Plaintiffs have several reasons for believing their respective applications were designated into or affected by the SAWS program. First, the subject matter of the above-identified SAWS applications matches several SAWS eligibility criteria made public through

Defendant's responses to FOIA requests. Second, and more damaging, is the contentious and extended nature of the examination process resulting in complete denials of a patent associated with Plaintiffs' above-identified applications.

39. Given the above reasons, Plaintiffs have a good faith belief that their patent applications were designated into the SAWS program at the PTO; that their applications were at least delayed and possibly denied allowance in the examination process outright based exclusively on their being so designated into the SAWS program. Plaintiffs further have a good faith belief they have been harmed financially in terms of paying unwarranted official fees and attorney fees in the extended prosecution of their SAWS applications and have also suffered other consequential damages associated with the delay or outright denial of allowance as a result of their SAWS applications having been designated into or associated with the SAWS program at the PTO.

CLASS ACTION ALLEGATIONS

40. Plaintiffs bring this action on behalf of themselves and as a class action under Rule 23 of the United States Court of Federal Claims (RCFC 23) on behalf of all the members of the following class:

All SAWS Applicants and/or their Assignees of a patent application filed with the PTO pursuant to any section of the Patent Act and who, at any time, had one more of said application(s) designated under or associated with the SAWS program or any similar "Watch List Application" program at the PTO while the application(s) were pending before the PTO and, having been so designated, without notice of the designation or association, the SAWS Applicants and/or their Assignees paid the PTO an official fee, paid a reasonable attorney fee in connection with the *ex parte* prosecution of their SAWS application(s) or suffered any other consequential damage in connection with their SAWS applications(s) being designated or associated, after the SAWS application(s) had been so designated into or otherwise associated with the SAWS program or any similar "Application Watch List" program, while not having been officially informed by the PTO of the SAWS and/or Watch List Program designation and/or not being advised or given information by the PTO how to overcome the SAWS and/or Watch List

Program designation or related association with their SAWS Application.

41. Plaintiffs do not know the exact number of Class members because such information is in the exclusive control of the Defendant. Upon information and belief, based on limited public information available through responses to F.O.I.A. requests, Plaintiffs believe that there are more than one hundred Class members as described above, the exact number and their identities being known by the Defendant.

42. The Class is so numerous and geographically dispersed that joinder of all the members is impracticable.

43. There are questions of law and fact common to the Class including:

- i. Whether the Defendant implemented and administered, during the Class Period, a SAWS program or policy that, in an official examination of a SAWS-designated patent application, any claim for a patent was rejected, or an objection or requirement was made without notifying the applicant and/or their assignee of the SAWS designation, and providing the reasons for the SAWS designation together with such information about the SAWS designation as might have been useful in judging the propriety of continuing the prosecution of the application;
- ii. Whether the SAWS program or policy caused injury to the Plaintiffs and the other members of the Class as a breach of their implied in fact contracts with the Defendant;
- iii. Whether the SAWS program or policy unconstitutionally burdened and penalized Plaintiffs' and the Class's fundamental rights and protected liberty interests, in violation of the Fifth Amendment's guarantee of substantive due process;
- iv. Whether the conduct of the Defendant, as alleged in this Complaint, caused other injury to Plaintiff and the other members of the Class as a consequence stemming from the breach of their implied in fact contracts with the Defendant; and
- v. The appropriate class-wide measure of damages.

44. Upon information and belief, Plaintiffs are a member of the Class. The fact is known to, and in the sole control of, the Defendant.

45. Plaintiffs' claims are typical of the claims of the Class members, and Plaintiffs will fairly and adequately protect the interests of the Class.

46. Plaintiffs' interests are coincident with, and not antagonistic to, those of the other members of the Class.

47. Plaintiffs are represented by counsel that is competent and experienced in the prosecution of constitutional claims, implied in fact contract claims and class-action litigation.

48. Through the SAWS Program and/or similar "Application Watch List" programs, as implemented by the PTO, Defendant has acted or refused to act on grounds generally applicable to the Class.

49. The questions of law and fact common to the members of the Class predominate over any questions affecting only individual members, including legal and factual issues relating to liability and damages.

50. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. The Class is readily definable and is one for which records should exist.

51. Prosecution as a class action will eliminate the possibility of repetitious litigation. Treatment as a class action will permit a large number of similarly situated persons and parties to adjudicate their common claims in a single forum simultaneously, efficiently, and without the duplication of effort and expense that numerous individual actions would engender.

52. This class action presents no difficulties in management that would preclude maintenance as a class action.

FACTUAL BACKGROUND

Facts related to Plaintiffs eVideo Inc. and Mauro DiDomenico

53. Dr. DiDomenico, the sole inventor of both eVideo applications, has had a highly distinguished career in the telecommunications industry, including over twenty years with Bell Laboratories, AT&T and Bellcore (now Ericsson). He is an inventor named in several U.S. patents and has published over 80 technical papers.

54. The earlier filed of the two eVideo applications (serial no. 09/840,868) was filed on April 25, 2001. eVideo Inc. has been diligently pursuing a fair and final disposition to the eVideo applications for over 15 years, approximately 12 years longer than the average. To date, none of the eVideo applications have been allowed to issue as a patent.

55. The eVideo applications include claims involving systems and methods for providing video on demand. The systems and methods involve, *inter alia*, the Internet, computers operated by a user, a video decoding device of a user and a payment from a user for video content.

56. In the October 9, 2014, response to FOIA Request No. F-15-00004 (EXHIBIT 4), it was revealed that the SAWS-eligibility criteria for Technology Center 2400 at the PTO included applications involving: business methods or E-commerce systems. As a specific example of such business methods or E-commerce systems, the SAWS-eligibility criteria for Technology Center 2400 names “video or music distribution over network or phone” as a model example of this specific SAWS eligibility criterion. Other SAWS eligibility criteria for Technology Center 2400 at the PTO listed in the response include “[d]igital, internet or wireless versions of prior art devices”, “applications dealing with automating a known manual process”, and “convergence inventions.”

57. The eVideo applications meet several of the SAWS eligibility criteria for Technology Center 2400 at the PTO. Furthermore, in the portion of the response to the FOIA Request relating to Technology Center 2400, the Examiners were instructed to construe the SAWS-eligibility criteria broadly and states: “Examiners should use their judgement and are encouraged to be *liberal* in their identification as to whether or not an application contains potential SAWS material.”

58. The earlier-filed eVideo application (serial no. 09/840,868 filed on April 25, 2001) was delayed by a series of contentious rejections by the Examiner assigned to the case. This occurred despite the granting of a petition for expedited prosecution due to the age of the inventor. The contentious rejections include a premature final rejection issuing May 9, 2003 which was acknowledged as premature and later withdrawn, a non-final rejection issuing on June 30, 2003 which was acknowledged as improper and later withdrawn after an appeal brief had been filed, a final rejection issuing on May 10, 2004 which was acknowledged as improper and later withdrawn after another appeal brief had been filed, and a final rejection issuing on June 3, 2009 based allegedly on *res judicata*. The June 3, 2009 final rejection was the basis for an appeal in which the Examiner was reversed by the appellate board in a decision dated October 21, 2011, for making an improper rejection based on *res judicata*.

59. The second eVideo application (serial no. 13/333,840 filed on December 21, 2011), had been filed, at least in part, as an alternate approach to overcoming the Examiner’s improper *res judicata* rejection in the earlier-filed eVideo application. Despite the PTO appellate board decision of October 21, 2011 in the earlier-filed eVideo application, in which the Examiner was reversed for making an improper *res judicata* rejection, in a first action Final rejection issuing January 2, 2013, the Examiner rejected the claims in the second eVideo

application, allegedly based on the same *res judicata* issue. After further interactions, the Examiner issued a final rejection on November 6, 2014 which is now under appeal at the U.S. PTO. For at least the reasons given above, Plaintiffs eVideo Inc. and/or Dr. DiDomenico have a good faith belief that one or more of the eVideo Applications were designated under the SAWS program at the U.S. PTO; that one or more of the eVideo Applications were delayed in reaching a final disposition in the examination process based on being so designated; and that Plaintiffs eVideo Inc. and/or Dr. DiDomenico have been harmed financially as a result of one or more of the eVideo Applications having been designated into or associated with the SAWS program.

60. Throughout the prosecution of the first and second eVideo applications, extending back to April 25, 2001, Plaintiff eVideo Inc. has paid all fees due according to the PTO official fee schedule.

61. Any date in which one or both of the eVideo applications were first designated under or associated with the SAWS program and the nature of the designation is known by the Defendant.

62. None of the official communications issuing from the PTO, throughout the prosecution of the first and second eVideo applications, have provided any notice when or if either the first or second eVideo applications were designated under or associated with the SAWS program.

63. Any of the official communications in the eVideo applications issuing from the PTO, after the date in which either eVideo application was first designated in the SAWS program, therefore, fail to comply with 35 U.S.C. § 132(a) and 37 C.F.R. § 1.104(a)(2) because they failed to provide any notice to eVideo Inc. of the SAWS designation or information as to how to overcome the designation.

64. Official fees paid by eVideo Inc. after the date in which the eVideo applications were first designated under SAWS, attorney fees paid in prosecution after this date and other consequential losses to eVideo Inc. and/or Dr. DiDomenico are damages to these Plaintiffs because they were denied notice of the SAWS designation, a breach of the implied contracts based on the eVideo Applications.

Facts related to Plaintiff Craig L. Linden

65. Plaintiff Craig L. Linden is the sole inventor and owner of U.S. patent application serial nos. 09/856,228, 10/469,800 and 12/172,993 (hereinafter “the Linden Applications”). The Linden Applications relate to automated methods, including business methods, involving the internet and mobile devices.

66. Mr. Linden has been diligently pursuing a fair and final disposition to the Linden Applications for several years longer than the average. To date, none of the Linden applications have been allowed to issue as a patent.

67. In the October 9, 2014, response to FOIA Request No. F-15-00004, (EXHIBIT 4), it was revealed that the SAWS-eligibility criteria for Technology Center 2400 included: applications involving business methods or e-commerce systems that would allegedly have a significant impact on an industry, applications involving personal data assistants, applications involving digital, internet or wireless versions of prior art devices, applications involving automation of a known manual process, and applications allegedly having claims that were broad in scope. Furthermore, the Technology Center 2400 Memorandum, from the response to FOIA Request No. F-15-00004, (EXHIBIT 4), instructs the Examiners that the list of SAWS designation criteria is non-exhaustive. For example, the Technology Center 2400 Memorandum states [t]he initial identification by the Examiner is intended to cast a broad net for applications

of interest...” and “[f]or applications (allegedly) claiming highly controversial subject matter. The SAWS report should be prepared prior to first office action.” For at least the reasons given above, Plaintiff Linden has a good faith belief that one or more of the Linden Applications were designated under the SAWS program at the U.S. PTO; that one or more of the Linden Applications were delayed in reaching a final disposition in the examination process based on being so designated; and that Plaintiff Craig Linden has been harmed financially as a result of one or more of the Linden Applications having been designated or associated with the SAWS program.

68. Upon information and belief, Plaintiff Craig Linden is a member of the Class. The fact is known to, and in the sole control of, the Defendant.

Facts related to Plaintiff Realvirt, LLC

69. Plaintiff Realvirt, LLC (“Realvirt”) is the claimed owner by assignment of U.S. patent application serial nos. 07/773,161 and 13/368,316 (the “Realvirt Applications”). The Realvirt Applications both have an effective filing date of October 8, 1991, based on the filing of U.S. patent application serial no. 07/773,161. In addition, the ownership and the control of patent prosecution in the Realvirt Applications were established through an assumption of prosecution responsibility from outside the normally established *ex parte* arrangement by predecessors of Realvirt, LLC. This assumption of responsibilities for prosecution in the Realvirt Applications had been challenged by the PTO. The assumption of prosecution responsibilities by parties from outside a normally established *ex parte* arrangement has been identified by the PTO in FOIA responses as a SAWS eligibility criterion.

70. The Realvirt Applications relate to early developments in computer networking. The networking methods and systems claimed include hardware features that were rejected by

the PTO Examiner, and reversed by the Patent Trial and Appeal Board, as allegedly directed to an abstract judicial exception to patent eligible subject matter under 35 U.S.C. § 101.

71. Realvirt has been diligently pursuing a fair and final disposition to the Realvirt Applications for several years longer than the average. The Realvirt applications have all been finally refused by the PTO and none were allowed to issue as a patent. After the final refusal, Realvirt brought an action against the PTO under 35 U.S.C. § 145 regarding the earlier filed Realvirt Application in the United States District Court for the Eastern District of Virginia. The merits regarding patentability were not reached in that action as the District Court determined that Realvirt did not have standing. The District Court order is on appeal pending before the United States Court of Appeals for the Federal Circuit, No. 2016-2669.

72. In the October 9, 2014, response to FOIA Request No. F-15-00004, (EXHIBIT 4), it was revealed that the SAWS eligibility criteria for Technology Center 1700 included: applications involving claims to computer programs or algorithms which have been rejected under 35 U.S.C. § 101, applications that were the subject of a third-party takeover of the patent prosecution, and applications with pendency greater than five years. It was also revealed that the SAWS-eligibility criteria for Technology Center 2800 included: applications allegedly having claims that were broad, domineering and/or pioneering scope. Furthermore, the Technology Center 2800 Memorandum, from the response to FOIA Request No. F-15-00004, (EXHIBIT 4), instructs the Examiners that the list of SAWS designation criteria is non-exhaustive. For example, the Memorandum states [t]he initial identification by the Examiner is intended to cast a broad net for applications of interest..." and "[f]or applications (allegedly) claiming highly controversial subject matter. The SAWS report should be prepared prior to first office action." For at least the reasons given above, Plaintiffs have a good faith belief that one or

more of the Realvirt Applications were designated under the SAWS program at the PTO; that one or more of the Realvirt Applications were delayed in reaching a final disposition in the examination process based on being so designated; and that Plaintiff Realvirt LLC has been harmed financially as a result of one or more of the Realvirt Applications having been designated or associated with the SAWS program.

73. Upon information and belief, Plaintiff Realvirt LLC is a member of the Class. The fact is known to, and in the sole control of, the Defendant.

Facts Common to the Class

74. In order to provide for an equitable return on services provided in the examination of U.S. patent applications, Congress has approved an annually-updated schedule of fees under chargeable to U.S. patent applicants for various services during the patent examination process at the PTO.

75. 35 U.S.C. § 132 (a) mandates that whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify an applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging the propriety of continuing the prosecution of the application. Furthermore, 37 C.F.R. § 1.104 (a) (2) mandates that an applicant will be notified of the examiner's action and that the reasons for any adverse action or any objection or requirement will be stated in an Office action and such information or references will be given to the applicant as may be useful in aiding the applicant to judge the propriety of continuing the prosecution.

76. In the government's October 9, 2014 response to F.O.I.A. Request No. F-15-0004 (EXHIBIT 4), it was revealed that there was a general list of S.A.W.S. eligibility criteria which

applied across all the different Technology Center's at the U.S. PTO, of which there are nine at present. Furthermore, there are different lists of criteria which are specific to the Technology Centers. The criteria listed in the different lists are often vague, over-inclusive and often lacking any statutory basis. Some examples from the general list include: (1) applications dealing with inventions, which, if issued, would potentially generate unwanted media coverage, (2) applications with claims of broad or domineering scope, and (3) Applications with claims of pioneering scope. Some examples from the lists specific to respective U.S. PTO Technology Centers (TCs) include: TC 1600: "Personalized medicine" as well as "synthetic or wholly engineered bacterial or viral genomes"; TC 1700: "Nanotechnology without specific disclosure as to method of manufacture"; TC 2400: "Convergence inventions"; TC 2600: "Smartphones" and "Internet-enabled systems"; and TC 3600 "Processes and apparatuses involving education".

77. Under the SAWS program, applicants having an application designated under SAWS were not notified of that designation. Nor were those applicants provided information or advised how to overcome the SAWS designation. Thus the SAWS applicants were not notified, as mandated by the implied contracts based, at least on the MPEP and 35 U.S.C. § 132(a).

78. Official fees paid by any Plaintiff after the date in which their SAWS application was first designated into the SAWS Program and consequential damages associated with the SAWS designation are all damages to the Plaintiffs.

79. In an Affidavit of former PTO Director John Doll prepared for litigation in an unrelated matter, it was revealed that the SAWS Program is one of many "Watch List Application" and/or "Second-Pair-of-Eyes" programs which have been implemented at the U.S. PTO, (EXHIBIT 5), Fact Nos. 28-30.

80. PTO Examiners were instructed not to inform the SAWS applicant(s) if their

SAWS applications are subject to the SAWS Program, (EXHIBIT 5), Fact No. 32.

81. The SAWS program was administered through committees that often directed the PTO Examiners to issue new grounds of rejection rather than allow an application designated in the SAWS program, (EXHIBIT 5), Fact No. 40.

COUNT I – Breach of Implied In Fact Contract

82. Plaintiffs incorporate by reference all preceding allegations in Paragraph Nos. 1-81 as if fully set forth herein.

83. Designation of a SAWS application into the SAWS program, without notice to the SAWS applicant was a breach of the implied in fact contract between the PTO and the SAWS applicant based on the underlying SAWS designated patent applications.

84. The implied in fact contracts between the PTO and the SAWS applicants based on the underlying SAWS applications entitle the Plaintiffs and the Class to a monetary award of a return of their fees paid after the SAWS applications had been designated under or associated with the SAWS program, a return of reasonable attorney fees Plaintiffs and the Class paid in connection with *ex parte* prosecution of the SAWS applications after designation into SAWS and fair compensation for any other consequential damages Plaintiffs and the Class suffered in connection with their SAWS applications(s) being designated into SAWS without notice.

85. In accordance with RCFC 9(k), Plaintiffs allege that the provisions of any implied in fact contract according to this action can be ascertained for any of the respective SAWS applications by considering, with respect to the time a respective SAWS application was originally filed, the relevant PTO publications such as the then current version of the MPEP, the then current PTO fee schedule in effect and the applicable statutes and regulations

which were in effect at the time the SAWS application was filed which specified the requirements and actions expected of the SAWS applicant and the PTO officials in the initial filing of the SAWS patent applications and in conducting the patent examination process.

86. Modifications in the implied contracts were understood to occur over the course of an examination process if, during the course of the examination, the PTO fee schedule were updated or some applicable aspect of the MPEP or an applicable statute or regulation was changed.

COUNT II – Substantive Due Process

87. Plaintiffs incorporate by reference all preceding allegations in Paragraph Nos. 1-86 as if fully set forth herein. Count II is ancillary to Count I in this action and Plaintiffs do not rely on Count II as a separate basis for this Court to accept jurisdiction to hear the Plaintiffs' claims in this matter.

88. 35 U.S.C. § 132(a) is a notice-mandating statute. 37 C.F.R. § 1.104(a)(2) is a notice-mandating regulation based on § 132(a). This statute and regulation entitle Plaintiffs and the Class to reasonable information as might be useful in responding to a rejection, or objection or requirement based on a SAWS designation or in aiding the SAWS applicant to judge the propriety of continuing the prosecution of a SAWS patent application.

89. The SAWS program has burdened and penalized the Plaintiffs' fundamental rights and protected interests by denying the Plaintiffs the necessary reasonable information as might be useful to them in the prosecution of their SAWS patent applications and judge the propriety of continuing the prosecution after the SAWS designation was made.

90. The SAWS program did not further the government's interest in issuing valid patents, or any other legitimate state interest, as these interests were already served through the

proper application of the relevant statutes under the Patent Act.

91. The government's use of the SAWS program by the PTO and the expansive SAWS designation criteria adopted by the PTO in the SAWS program were not narrowly tailored to serve a compelling governmental interest and were not necessary to significantly further an important governmental interest; indeed, it was not rationally related to any legitimate governmental interest whatsoever.

92. The SAWS program unconstitutionally burdened and penalized the Plaintiffs and the Class by denying them their fundamental rights and protected interests, in violation of the Fifth Amendment's guarantee of substantive due process.

**REQUEST FOR CLASS CERTIFICATION WITH
REQUEST TO HOLD IN ABEYANCE BRIEFING ON CLASS CERTIFICATION**

93. Plaintiffs hereby request class certification in accordance with RCFC 23 and further request that the Court hold in abeyance briefing on class certification until after the parties have conducted discovery.

Law on Class-Action Tolling

94. 28 U.S.C. § 2501 provides that “[e]very claim of which the United States Court of Federal Claims has jurisdiction shall be barred unless the petition thereon is filed within six years after such claim first accrues.”

95. Plaintiffs are not aware when or if any claims of any of the Class members have yet first accrued, by any means. However, in the event any claims of any Class members have already begun to accrue, Plaintiff seeks to preserve the rights of these Class members by seeking class-action tolling via this Complaint.

96. In *Bright v. United States*, 603 F. 3d 1273, (Fed. Cir. 2010), the Federal Circuit held that the six-year time limit in 28 U.S.C. § 2501 is subject to “class-action tolling” for

potential class members. Under *Bright*, when “a class action complaint is filed within the six-year limitations period of 28 U.S.C. § 2501 as to one named plaintiff, putative class members are permitted to opt in under RCFC 23 after expiration of the limitations period, when class certification is sought prior to expiration of the period.” *Id.* at 1290. *Bright* did not address whether class-action tolling would apply for potential class members if a motion for class certification were filed after the class member’s statutes of limitations had expired. See *Id.* at 1290, n.9.

97. In *Toscano v. United States*, 98 Fed. Cl. 152, (Fed. Cl. 2011), the Court of Federal Claims held that when a complaint requesting class certification is timely filed, but a motion for class certification is not filed until after the limitations period under 28 U.S.C. § 2501 has run, the complaint tolls the statute if the complaint: (1) specifically requests certification of the proposed class, (2) the complaint alerts the government of the type of claim brought, (3) the complaint identifies the specific act giving rise to the claim, (4) the complaint specifies the matter at issue with respect to each class member, and (5) the complaint requests certification of a class consisting of the class members. *Id.* at 154.

98. Plaintiffs contend that this Complaint meets all the requirements under *Toscano* and that class-action tolling should apply from the date this Complaint is filed to preserve the claims of any potential class member whose claim may have first accrued prior to the filing of this Complaint.

Reasons Why the Request Should Be Granted

99. Plaintiffs respectfully request class certification at this time and request that briefing on the certification request be held in abeyance in order to ensure that potential class members are protected by class-action tolling in accordance with *Bright* and *Toscano*. The

proposed class in this case satisfies the requirements for bringing a class action pursuant to RCFC 23. Before a class can be certified, however, Plaintiffs anticipate that the parties will have to engage in discovery concerning, *inter alia*, the identification of potential class members, the establishment and administration of the SAWS program, the impact of the SAWS program on potential class members, and the injury suffered by the potential class. Such information is exclusively within the custody and control of the government.

100. Although discovery has not yet taken place, Plaintiffs are concerned that any additional delay in filing a separate motion for class certification at a later time could prejudice the rights of the potential class members whose six-year statutes of limitations could expire before discovery is completed. Plaintiffs accordingly request class certification at this time and respectfully requests that the Court defer consideration of the certification request until class-action discovery has taken place. By granting Plaintiff's request to hold the certification request in abeyance, the Court would ensure that potential class members would, at a minimum, retain the ability to opt in to the class if their claims accrued on or after six years before the date of this filing, in accordance with *Bright* and *Toscano*. The Court will thus retain the ability to manage the case in the most efficient way possible while still protecting the rights of potential class members whose statutes of limitations might otherwise expire.

Conclusion

101. For the above reasons, Plaintiffs hereby request class certification in accordance with RCFC 23 and respectfully request that the Court hold in abeyance briefing on class certification until after the parties have conducted discovery. In the alternative, Plaintiffs request a status conference in order to discuss alternative measures that could be taken to protect the claims of potential class members.

PRAYER FOR RELIEF

WHEREFORE: Plaintiffs and the Class respectfully pray for the following relief:

- A. A monetary award of a return to Plaintiffs and the Class of their official fees paid after the SAWS applications had been designated under or associated with the SAWS program, a return of reasonable attorney fees Plaintiffs and the Class paid in connection with ex parte prosecution of the SAWS applications after designation into SAWS and fair compensation for any other consequential damages Plaintiffs and the Class suffered based on a delay or denial of a patent issuing on SAWS application(s) in connection with the SAWS applications(s) being designated into SAWS without notice;
- B. That Plaintiffs and the Class be awarded pre-judgment and post-judgment interest at the highest legal rate from and after the date of service of this Complaint to the extent provided by law;
- C. Reasonable costs, expenses, and attorneys' fees pursuant to 28 U.S.C. § 2412 and;
- D. Any further relief that the Court deems just and proper.

Dated: Alexandria, Virginia
May 21, 2017

By: s/ Patrick R. Delaney

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CERTIFICATE OF FILING

I hereby certify that on May 21, 2017, I caused a true and correct copy of the foregoing CLASS ACTION COMPLAINT – (SAWS II) to be filed with the Clerk of the Court using the CM/ECF system.

By: s/Patrick R. Delaney

ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [eVideo Sues United States Over Patents Tossed Into 'SAWS' Program](#)
