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ISSUES:

Defendant has asserted two ground for dismissal, (i) lack of jurisdiction and (ii) failure to state a claim upon which relief can be granted.

Jurisdiction:

The Tucker Act supplies the Court of Federal Claims with jurisdiction for claims against the United States founded upon the Constitution, an Act of Congress, a regulation of an executive department, or an express or implied contract. 28 U.S.C. § 1491(a)(1) (1994); *Gould v. United States*, 67 F.3d 925, 928 (Fed.Cir.1995). The Court has jurisdiction in this case under the Tucker Act (Am. Compl. ¶ 16.) as the government has breached implied-in-fact contracts (Am. Compl. ¶ 74.) which existed between Plaintiffs and the United States Patent and Trademark Office (USPTO). The Tucker Act provides jurisdiction over implied-in-fact contract claims against the government. See *United States v. Mitchell*, 463 U.S. 206, 215, 103 S.Ct. 2961, 77 L.Ed.2d 580 (1983) (citing 28 U.S.C. § 1491).

Properly Asserted Claim:

Plaintiffs properly assert a monetary claim for return of Government fees and reimbursement of other costs and legal fees which Plaintiffs expended based upon the improper actions of Defendant in the establishment, administration and perpetuation of the S.A.W.S. Program.

At this stage of the proceedings, Plaintiffs do not need to prove the existence of a contract-in-fact and need to prove neither breach nor damages. Plaintiffs, at this stage of the proceedings need only allege sufficient facts, which if taken as true, can reasonably establish a cause of action.

In evaluating a motion to dismiss for failure to state a claim upon which relief can be

granted, the Court construes unchallenged allegations in the complaint in favor of the pleader. *Hamlet v. United States*, 873 F.2d 1414, 1416 (Fed.Cir.1989). Further, the Court may not dismiss unless a plaintiff can prove no set of facts which would entitle him to relief. *Conley v. Gibson*, 355 U.S. 41, 45–46, 78 S.Ct. 99, 101–02, 2 L.Ed.2d 80 (1957); *Hamlet*, 873 F.2d at 1416. To state a claim upon which relief can be granted, a plaintiff must allege either an express or an implied-in-fact contract, and the breach of that contract. *Trauma Service Group v. United States*, 104 F.3d 1321, 1325 (Fed. Cir. 1997). “...[A]ny agreement can be a contract within the meaning of the Tucker Act, provided that it meets the requirements for a contract with the Government, specifically: mutual intent to contract including an offer and acceptance, consideration, and a Government representative who had actual authority to bind the Government.” *Id.* at 1326. This includes contracts in which the government is the seller of goods and services. *Son Broadcasting, Inc. v. United States*, 52 Fed. Cl. 815 (2002).

## BACKGROUND

A utility patent application, once it has been filed at the USPTO under 35 U.S.C. §111 or §371 and initial filing fees are paid pursuant to 37 C.F.R. §1.16 or §1.492, is the basis for an implied-in-fact contract between the USPTO and the patent applicant. Subsequently, fees may also be paid later in the examination process pursuant to 37 C.F.R. §§1.17, 1.18, 1.19, 1.20, 1.492, 1.445, or 1.482.

During the course of patent examination, the government is mandated, pursuant to 35 U.S.C. §132(a), to notify and inform patent applicants of any objection or rejection which bars the patent application from issuing as a patent. 35 U.S.C. §132(a) is a mandatory performance condition that is incumbent upon the USPTO in fulfilling the contracts.

In about December 2014, news reports began to emerge in the media from unofficial sources that the USPTO had, for over two decades, been running a confidential program involving a secret examination process involving a purely internal review of some pending U.S. patent applications. The USPTO program or policy was known as the "Sensitive Application Warning System" (i.e., the "S.A.W.S." program). The S.A.W.S. program was not based on any U.S. statute or Federal regulation. Furthermore, it was never reflected in any USPTO published rules or regulations. Still further, no patent applicant was ever officially notified by the USPTO if their patent application(s) had been placed in the S.A.W.S. program or was ever given information or advised how to overcome the S.A.W.S. program designation. To this day, the USPTO refuses to acknowledge or identify any of the tens of thousands of applications which were subject to SAWS review.

The news reports described a S.A.W.S. program designation as involving, at the least, an internal memorandum was circulated at the USPTO regarding how an application might meet one or more of the S.A.W.S. program eligibility criteria. The news reports also described that, after an application had been designated in the S.A.W.S. program, it required a plurality of approvals by multiple USPTO supervisors (by some accounts, several supervisors at different levels of USPTO management) before a S.A.W.S. designated patent application was allowed to issue as a patent.

The news reports suggested that a substantial number of patent applications had been significantly delayed from reaching a final disposition in the examination process due to having been designated for review under the S.A.W.S. program. Since no patent applicant was ever officially notified whether their application had been designated as being in the S.A.W.S. program, and because the USPTO has statutory time limitations requiring it to take action once



the patent examination process has become active, it appears that the Examiners would often simply issue place holder Office Actions that maintained rejections which were no longer supportable on the merits or that included new grounds of rejection that were highly questionable or completely untenable on the merits, because the Examiner was prohibited from notifying the applicant that patent application was designated under the S.A.W.S. program and was barred from issuing as a patent.

On or about March 2, 2015, and only after the news reports were growing and becoming more widespread, the USPTO publicly announced that the S.A.W.S. program had been discontinued, recently and abruptly. The announcement admitted the program had existed since 1994 but did not explain the circumstances for withdrawing the S.A.W.S. program other than to note that the USPTO no longer deemed the program to be necessary. Thus, a program which had been initiated, operated continuously, and grew in both its scope and complexity within the USPTO for twenty years, all in complete secrecy, also died without any real public scrutiny or accountability. The USPTO announcement provided no details as to the extent of the program or about any specific patent applications which had been designated as having been in the S.A.W.S. program.

Several requests under the Freedom of Information Act (hereinafter "FOIA") for information regarding the S.A.W.S. program have been submitted to the Defendant by different parties at different times, both before and after the March 2, 2015 public announcement. Under the limited disclosures that have been obtained through the FOIA requests, it was revealed that the S.A.W.S. program included dozens of different types of SAWS-eligibility criteria, that the program had been widely implemented throughout the USPTO 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 which had been sent forward for review to the appellate board at the USPTO.

S.A.W.S. was a massively implemented secret program which, although deeply entrenched within the USPTO, was kept hidden for years until a glimpse of the extent of the program was finally revealed in the government's October 9, 2014 response to F.O.I.A. Request No. F-15-0004 (**Exhibit 1**). The S.A.W.S. program was developed internally by USPTO administrators for the purpose of insulating the USPTO from unwanted press coverage, and not for the benefit of patent applicants or the general public. And it extended into all Technology Centers at the USPTO, involving all manner of specialized criteria for applying S.A.W.S. designations upon applications being examined in the various Technology Centers throughout the USPTO. Furthermore, the designation criteria were vague, over-inclusive and often lacking any statutory basis. Applicants might easily have been able to rebut any S.A.W.S. designation applied to their applications had they been timely informed of it by the USPTO. But they were deprived of this opportunity to which they were entitled, by law, under 35 U.S.C. §132(a) and 37 C.F.R. § 1.104(a)(2).

During the course of patent examination, the government is mandated, pursuant to 35 U.S.C. §132(a), to notify and inform patent applicants of any objection or rejection which bars the patent application from issuing as a patent. 35 U.S.C. §132(a) sets a mandatory performance condition that is incumbent upon the USPTO for its fulfillment of the implied-in-fact contracts between patent applicants and the USPTO. Breaches by the USPTO arose in the USPTO's intentional omissions and, in some cases, outright refusals to notify Plaintiffs of the S.A.W.S. program designations applied to their patent applications. Notification to patent applicants of any type of objection and/or rejection by the USPTO during the examination process of a patent

application is mandated by 35 U.S.C. §132(a) and 37 C.F.R. § 1.104(a)(2). These intentional failures to adequately inform Plaintiffs of the existence and circumstances surrounding the S.A.W.S. designations were illegal acts by the USPTO.

Plaintiffs are also concerned regarding the practice that appears to have developed under the S.A.W.S. program at the USPTO which included, upon information and belief, issuing Office Actions that maintained or even added false and untenable rejections and/or objections on alternate grounds, rather than simply inform a patent applicant that their patent application had been designated under the S.A.W.S. program. Thus the patent applicants were forced to pay official fees to the USPTO for continuing prosecution as well as expend substantial sums to their attorneys in preparing responses to false and untenable rejections in the Office Actions that had been issued by the USPTO, apparently, for the mere sake of protecting the USPTO's public image.

STATEMENT OF THE PLEADINGS AND ALLEGATIONS:

The Amended Complaint states "...[p]ursuant to 28 U.S.C. §§ 1491 (a) (1) and (2), this Court has jurisdiction and is the proper venue for Plaintiffs' claims for money damages and accompanying relief against the United States founded upon the Constitution, 35 U.S.C. § 132(a), 37 C.F.R. § 1.104(a)(2) and 37 C.F.R. § 1.17..." (Am. Compl. ¶17.) The Government entered into a contract with each of the Plaintiffs to accept fees in exchange for a fair and open examination of their respective applications for the grant of a patent. As detailed in the Complaint and below, 37 CFR proscribes the mandatory provisions of a fair and open examination process and those provisions were breached by the Government. As set forth in the Amended Complaint. "...[o]nce the unconstitutional portions of the S.A.W.S. program have been severed from the overall scheme, the implied contract...entitle[s] Plaintiffs and the

Class to a monetary award of a return of their official fees and reasonable attorney fees paid after the applications had been designated under or associated with the S.A.W.S. program.” (Am. Compl. ¶74. emphasis added). Furthermore, it is explained throughout the First Amended Complaint that it is the government’s secret administration of the S.A.W.S. program which was a breach of the covenants of good faith and fair dealing in the implied-in-fact contracts at issue. An allegation of an implied-in-fact contract suffices to confer subject matter jurisdiction in the Court of Federal Claims. See *Gould*, 67 F.3d at 929. Furthermore, Plaintiffs named in the Amended Complaint (Am. Compl. ¶¶ 17-22.) are real parties in interest, having the capacity to sue, pursuant to RCFC 17, and therefore have standing to bring suit.

The implied-in-fact contracts in this case relate directly to Plaintiffs’ respective patent applications which have been specifically identified (Am. Compl. ¶¶ 1, and 4-7.). Furthermore, breach and damages with regard to the implied-in-fact contracts are specifically described in substantial detail with respect to each of Plaintiffs’ respective patent applications (Am. Compl. ¶¶ 34-59.). A utility patent application, after it has been filed under 35 U.S.C. §111 or §371 and initial filing fees paid pursuant to 37 C.F.R. §1.16 or §1.492, is the basis underlying an implied-in-fact contract between the USPTO and the patent applicant filing the patent application. Subsequent fees relating to the filed application may also be paid at later times in the examination process pursuant to 37 C.F.R. §§1.17, 1.18, 1.19, 1.20, 1.492, 1.445, or 1.482.

An implied-in-fact contract requires the existence of the same elements as an express contract, which include “a mutual intent to contract including offer, acceptance, and consideration,” *Total Med. Mgmt., Inc. v. United States*, 104 F.3d 1314, 1319 (Fed.Cir.1997). “A contract with the United States also requires that the Government representative who

entered or ratified the agreement had actual authority to bind the United States.” *Trauma Serv. Group*, 104 F.3d at 1325. Hence, the “offer” in the implied-in-fact contracts in this case is the offer by the USPTO to accept a utility patent application when filed according to 35 U.S.C. §111 or §371 and to properly, fairly and openly examine that application.

The patent applicant expresses their assent to enter the implied-in-fact contract through the filing of the patent application with payment of the initial filing fees. The USPTO expresses its intent to be bound in the implied-in-fact contracts, and the regulations relating thereto, by accepting the filed application with initial fees paid by applicant and then issuing a USPTO Official Filing Receipt (OFR) or a related acknowledgment to applicant.

In Plaintiffs’ patent applications, which are each identified (Am. Compl. ¶¶ 1, and 4-7.) and described in significant detail in the Complaint (Am. Compl. ¶¶ 1, and 4-7.), the USPTO expressed its assent to enter an implied-in-fact contract.

The Complaint Recites an Exaction Claim and Money Mandating Claims:

Damages based on breaches by the USPTO to these implied-in-fact contracts are money-mandating. The Government has exacted fees directly from Plaintiffs which were improper and has caused Plaintiffs to expend monies on legal fees and cost as a direct result of the Plaintiffs not being provided with the contracted for examination services. The government’s failure to notify Plaintiffs of the S.A.W.S. program designation of their patent applications, as mandated by 35 U.S.C. §132(a), is a breach of the implied-in-fact contracts that gave rise to damages in government fees paid by Plaintiffs who were not duly notified of the S.A.W.S. designation. Furthermore it appears that substantial attorney’s fees were often paid by Plaintiffs in preparing responses to USPTO Office Actions that contained clearly erroneous objections and rejections that were falsely made or maintained if a S.A.W.S designation was in

place barring allowance. Upon information and belief, these objections and rejections, despite their clearly erroneous nature, were often maintained by the Examiners because a S.A.W.S. designation otherwise barred an allowance of an application involved to issue as a patent. Nevertheless, without ever being informed or notified that the S.A.W.S. designation was the “real” reason barring allowance of their patent applications, Plaintiffs were required to pay official fees and expend substantial resources paying attorneys and agents representing them before the USPTO to try and convince the Examiners of the fundamental errors in the unsupportable and false objections and rejections.

The government tries to characterize the S.A.W.S. program as a minor, harmless discretionary program for internal review at the USPTO. Far from it, S.A.W.S. was a program which was deeply entrenched within the USPTO, in secret, for many years until a glimpse of the extent of the program was finally revealed in the government's October 9, 2014 response to F.O.I.A. Request No. F-15-0004 (Exhibit 1). As is shown throughout Exhibit 1, the S.A.W.S. program was developed internally by USPTO administrators for the purpose of insulating the USPTO from unwanted press coverage, and not for the benefit of patent applicants or the general public. And it extended into all Technology Centers at the USPTO, involving all manner of general and/or specialized criteria for designating applications into the S.A.W.S. program. Furthermore, the S.A.W.S. designation criteria were vague, over-inclusive and often lacking any statutory basis (Am. Compl. ¶62.).

Plaintiffs might have been able to rebut an individual S.A.W.S. designation had they been timely informed of it by the USPTO. But they were all unfairly denied this opportunity which they were entitled to by law under 35 U.S.C. §135(a). Instead, the S.A.W.S. program was deliberately hidden from the public, and thus also sequestered from judicial review, by the

unilateral actions of the USPTO. The entire program appears was a violation of the Administrative Procedure Act.

The USPTO is also believed to have issued Office Actions that either maintained or added false or otherwise untenable rejections and/or objections on alternate grounds, rather than simply informing a patent applicant that their patent application had been designated under the S.A.W.S. program. Thus, the patent applicants were forced to pay official fees to the USPTO for continuing prosecution as well as pay substantial sums to their attorneys in preparing responses to the false and untenable rejections and/or objections in the Office Actions that appear to have been issued by the USPTO merely for the sake of protecting the USPTO's public image and at great costs to Plaintiffs. Former Under Secretary of Commerce for Intellectual Property and USPTO Director, The Honorable John Doll, has testified by way of affidavit (**Exhibit 2**) that USPTO Examiners were instructed not to inform patent applicants if their patent applications were subject to the S.A.W.S. Program (Am. Compl. ¶66.) and that the S.A.W.S. program administrators often directed USPTO Examiners to apply unspecified new grounds of rejection in order to bar an allowance of a patent application, rejections that would otherwise not have been applied by the Examiners themselves, rather than informing the patent applicants of the S.A.W.S. program designation (Am. Compl. ¶67.).

The Breaches Fall Outside of Protected Government Action:

Breaches by the USPTO to the implied-in-fact contracts occurred through the USPTO's intentional omissions and, in some cases, outright refusals to notify Plaintiffs of the S.A.W.S. program designations applied to their patent applications. Fairness and openness is not only a covenant of the implied contract, it is also mandated by the Federal Regulations and thus a specific and fundamental part of the contract. Notification to patent applicants of any type of

objection and/or rejection by the USPTO during the examination process of a patent application is mandated by both 35 U.S.C. §132(a) and 37 C.F.R. § 1.104(a)(2). These intentional failures to adequately inform Plaintiffs about the existence and of circumstances surrounding the S.A.W.S. designations were illegal acts by the USPTO and not sovereign actions by the government. The Federal Government can be held liable for damages resulting from its actions outside its sovereign capacity. *D.R. Smalley & Sons, Inc. v. United States*, 372 F.2d 505, 178 Ct. Cl. 593, *cert. denied*, 389 U.S. 835, 88 S.Ct. 45, 19 L.Ed2d 97 (1967).

Instead of attempting to defend the injustice and damages wrought by the S.A.W.S. program, the government misconstrues Plaintiffs' claims for money damages and labels references to 35 U.S.C. § 132(a), 37 C.F.R. §1.104(a)(2) and 37 C.F.R. § 1.17 in the Complaint as mere notice and fee provisions while ignoring the underlying implied-in-fact contracts based on the patent applications. According to the government, a grab-bag of jurisdictional and prudential doctrines prevents the Court from adjudicating this case and awarding these Plaintiffs the damages they are entitled to receive.

The government is wrong. Indeed, many of the government's arguments are flatly contradicted by controlling Federal Circuit precedent. The Court should deny the government's motion to dismiss and set an expeditious schedule for discovery so the Plaintiffs and the class they represent can proceed on their claims without additional delay.

### **STATEMENT OF THE ISSUES**

I. Plaintiffs' well-plead allegations and facts in the First Amended Complaint adequately support the assertion of a breach and support cognizable damages of implied-in-fact contracts associated with Plaintiffs' respective patent applications, sufficient to confer



jurisdiction under the Tucker Act.

II. Plaintiffs' well-plead allegations and facts of breach and damages regarding the implied-in-fact contracts are justiciable and rebut the government's allegations under RCFC 12(b)(6) of failure to state a claim upon which relief can be granted.

III. Plaintiffs are real parties in interest, pursuant to RCFC 17, and have standing to bring suit.

### ARGUMENT

To date, the government has refused to supply any information to any patent applicants to either confirm or deny whether any specific patent applications had been designated under the S.A.W.S. program, or to supply any information regarding the circumstances surrounding such S.A.W.S. designations. The government does not purport to provide any such information in its motion to dismiss. Instead, the government presents a variety of theories for why, even if the constitutional rights of the Plaintiffs were violated by the S.A.W.S. program, this Court lacks the power to provide any relief. Each of these theories boils down to the conclusory assertion that the individual statutes and regulations surrounding the implied-in-fact contracts between Plaintiffs and the USPTO either do not form a contract or are not money-mandating, whilst ignoring the implied-in-fact contracts themselves as well as the related breaches and damages. At this stage of the proceedings, Plaintiff need only plead breach and damages, not prove breach or damages.

The government's position is contradicted by controlling precedent. This Court should deny the government's motion to dismiss and allow this case to proceed to the merits.

**I. Plaintiffs' well-plead allegations and facts in the First Amended Complaint adequately support the existence of a contract, breach of that contract and damages of the implied-in-fact contracts associated with**

**Plaintiffs’ respective patent applications, sufficient to confer jurisdiction under the Tucker Act and rebut the government’s allegations under RCFC 12(b)(1) of lack of subject matter jurisdiction.**

To survive a Rule 12(b)(1) challenge to jurisdiction, the Federal Circuit has held unambiguously that “jurisdiction ... requires no more than a non-frivolous allegation of a contract with the government.” *Engage Learning, Inc. v. Salazar*, 660 F.3d 1346, 1353 (Fed. Cir. 2011) (citing, e.g., *Lewis v. United States*, 70 F.3d 597, 602, 604 (Fed.Cir.1995)).

According to the government, Plaintiffs’ claims do not fall within any of the narrow categories for which sovereign immunity has been waived (MTD, p. 5.). However, the Court has jurisdiction in this case under the Tucker Act (Am. Compl. ¶ 16.) as the government has breached implied-in-fact contracts (Am. Compl. ¶ 74.) and caused damages. The Tucker Act provides jurisdiction over implied-in-fact contract claims against the government. *United States v. Mitchell*, 463 U.S. at 215. In addition, the Federal Government can be held liable for damages resulting from its actions outside its sovereign capacity. *D.R. Smalley & Sons, Inc.*, 372 F.2d 505.

The government purports that “...the cited regulations, statutory provisions, and the Fifth Amendment’s substantive due process...do not create an implied contract, [therefore] the Court does not have subject matter jurisdiction over plaintiffs’ claims...” (MTD, p.6.); that “...Plaintiffs have not set forth a cognizable exaction claim...” (MTD, p.7.); that “...none of the provisions cited by plaintiffs are money mandating...” (MTD, p.10); and that “...[n]o implied contract is created by the cited provisions...” (MTD, p.11). All these assertions by the government ignore the implied-in-fact contracts themselves associated with Plaintiffs’ respective patent applications which were specifically identified (Am. Compl. ¶¶ 1, and 4-7.) as well as breaches and damages with respect to the respective patent applications (Am. Compl. ¶

¶ 34-59.). Regarding the government's argument that "...Plaintiffs have not set forth a cognizable exaction claim..." (MTD, p.7.), the government relies heavily on the holding in *Eastport S.S. Corp. v. United States*, 178 Ct. Cl. 599, 372 F.2d 1002 (1967). However, in *Eastport*, the plaintiff had not pleaded a violation of the Constitution, an implied or express contract, nor an appropriate statute or regulation. The Court in that case had simply held that the violation alleged in *Eastport* was outside the Tucker Act and thus, that plaintiff had not set forth a cognizable exaction claim.

The government argues that "...[t]he Tucker Act is displaced by the statutory scheme for refund of fees paid...", citing 35 U.S.C. § 42(d) and 37 C.F.R. § 1.26 (MTD, p.13.). However, 35 U.S.C. § 42(d) and 37 C.F.R. § 1.26 only provide for refunding of fees paid by mistake of the applicant or any amount paid by the applicant in excess of that required. They do not address fees that have been paid in good faith by the Plaintiffs and were wrongfully accepted by the USPTO based on the PTO's illegal actions. The government's argument belies the fact that the USPTO continues to steadfastly refuse to inform Plaintiffs regarding anything about patent applications designated in the S.A.W.S. program. Consequently, Plaintiffs have no way of determining the appropriate fees to be refunded. Moreover, even if the USPTO were to refund these official fees to Plaintiffs now, this would not account for the substantial attorney's fees that were paid by Plaintiffs in preparing responses to questionable Office Actions or for the fact that Plaintiffs might have addressed the prosecution differently had they been informed of the S.A.W.S. designations barring the allowance of their patent applications.

**II. Plaintiffs' well-plead allegations and facts of breach and damages regarding the implied-in-fact contracts are justiciable and rebut the government's allegations under RCFC 12(b)(6) of failure to state a claim upon which relief can be granted.**

When considering a motion to dismiss for failure to state a claim upon which relief may

be granted, the Court “must accept as true all of the allegations in the complaint,...and [the Court] must indulge all reasonable inferences in favor of the non-movant.” *Laudes Corp. v. United States*, 86 Fed.Cl. 152, 160 (2009) (citing *Sommers Oil Co. v. United States*, 241 F.3d 1375, 1378 (Fed.Cir.2001)). To state a claim, the complaint must allege facts “plausibly suggesting (not merely consistent with)” a showing of entitlement to relief. *Cary v. United States*, 552 F.3d 1373, 1376 (Fed.Cir.2009); see also *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007). The factual allegations must be “enough to raise a right to relief above the speculative level on the assumption that all of the complaint's allegations are true.” *Bell Atl. Corp.*, 550 U.S. at 555, 127 S.Ct. 1955. Plaintiff need not set out in detail the facts upon which the claims are based; however, there must be enough facts to state “a claim to relief that is plausible on its face.” *Cary*, 552 F.3d at 1376. A complaint will therefore only be dismissed pursuant to RCFC 12(b)(6) “when the facts asserted by the claimant do not entitle him to a legal remedy.” *Laudes Corp.*, 86 Fed. Cl. at 160 (citing *Lindsay v. United States*, 295 F.3d 1252, 1257 (Fed.Cir.2002)); see also *Morse Diesel Int'l, Inc. v. United States*, 66 Fed.Cl. 788, 797 (2005) (noting that dismissal is only proper where a plaintiff can “prove no set of facts in support of his claim which would entitle him to relief”).

The government alleges that “...plaintiffs fail to identify any language creating a contractual obligation...” citing *Toon v. United States*, 96 Fed. Cl. 288, 299 (2010) for the proposition that “...[i]n order to invoke jurisdiction based upon an express or implied-in-fact contract, plaintiff[s] must allege all the requisite elements of a contract with the United States...” (MTD, p.12). The government misconstrues *Toon*, in which the *pro se* plaintiff had made no showing whatsoever of relevant facts or allegations to establish a contract with the government. The actual analysis by the Court in *Toon* is informative:

“An RCFC 12(b)(6) motion tests the sufficiency of a complaint. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555–56, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007); see also *RhinoCorps Ltd. Co. v. United States*, 87 Fed.Cl. 481, 492 (2009) (“A motion made under Rule 12(b)(6) challenges the legal theory of the complaint, not the sufficiency of any evidence that might be adduced.”). The purpose of RCFC 12(b)(6) “is to allow the court to eliminate actions that are fatally flawed in their legal premises and destined to fail, and thus to spare litigants the burdens of unnecessary pretrial and trial activity.” *Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc.*, 988 F.2d 1157, 1160 (Fed.Cir.1993) (citing *Neitzke v. Williams*, 490 U.S. 319, 326–27, 109 S.Ct. 1827, 104 L.Ed.2d 338 (1989)). When considering an RCFC 12(b)(6) motion, the court “must determine ‘whether the claimant is entitled to offer evidence to support the claims,’ not whether the claimant will ultimately prevail.” *Chapman Law Firm Co. v. Greenleaf Constr. Co.*, 490 F.3d 934, 938 (Fed.Cir.2007) (quoting *Scheuer*, 416 U.S. at 236, 94 S.Ct. 1683). A failure to allege a cause of action upon which relief can be granted warrants a judgment on the merits rather than a dismissal for want of jurisdiction. *Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 1361 (Fed.Cir.2008).

The United States Supreme Court (“Supreme Court”) clarified the degree of specificity with which a plaintiff must plead facts sufficient to survive a Rule 12(b)(6) motion in *Bell Atlantic Corp.*, stating that “a plaintiff’s obligation to provide the grounds of his entitlement to relief requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.” 550 U.S. at 555, 127 S.Ct. 1955 (citation & quotation marks omitted). While a complaint need not contain “detailed” factual allegations, those “[f]actual allegations must be enough to raise a right to relief above the speculative level....”<sup>6</sup> *Id.* In other words, the complaint must contain “enough facts to state a claim to relief that is plausible on its face.” *Id.* at 570, 127 S.Ct. 1955.

A claim has facial plausibility “when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556U.S. 662, 129 S.Ct. 1937, 1949, 173 L.Ed.2d 868 (2009) (citing *Bell Atl. Corp.*, 550 U.S. at 556, 127 S.Ct. 1955). This plausibility standard “asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.* (citing *Bell Atl. Corp.*, 550 U.S. at 556, 127 S.Ct. 1955); see also *id.* (stating that a complaint must contain “more than an unadorned, the-defendant-unlawfully-harmed-me accusation” (citing *Bell Atl. Corp.*, 550 U.S. at 555, 127 S.Ct. 1955)). Neither allegations “that are ‘merely consistent with’ a defendant’s liability,” *id.* (quoting *Bell Atl. Corp.*, 550 U.S. at 557, 127 S.Ct. 1955), nor “[t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements,” are sufficient, *id.* (citing *Bell Atl. Corp.*, 550 U.S. at 555, 127 S.Ct. 1955).”

*Toon v. United States*, 96 Fed. Cl. at 296.

Furthermore, the government appears to have ignored the relevant facts and allegations that are well-plead in Plaintiffs’ First Amended Complaint. The Amended Complaint clearly

states that “... the implied contract...entitle[s] Plaintiffs and the Class to a monetary award of a return of their official fees and reasonable attorney fees paid after the applications had been designated under or associated with the S.A.W.S. program.” (Am. Compl. ¶74. emphasis added).

Breach and damages with regard to the implied-in-fact contracts were specifically described in substantial detail with respect to each of Plaintiffs’ respective patent applications (Am. Compl. ¶¶ 15, 34-67.). The government’s failure to notify Plaintiffs of the S.A.W.S. program designation of their patent applications, as mandated by 35 U.S.C. §132(a), is a breach of the implied-in-fact contracts that gave rise to damages in government fees paid and reliance damages spent by Plaintiffs who were not duly notified of the S.A.W.S. designation (Am. Compl. ¶¶ 15, 69-70, 74.). These intentional omissions were deliberate and illegal acts by the USPTO (Am. Compl. ¶ 63.). Furthermore substantial attorney’s fees appear to have been paid by Plaintiffs in preparing responses to USPTO Office Actions that contained questionable objections and rejections which were communicated to Plaintiffs instead of notifying them of the S.A.W.S. designation (Am. Compl. ¶¶ 15, 64.).

Plaintiffs respectfully submit that the express recitation of an “implied contract” in the First Amended Complaint (Am. Compl. ¶ 74.), when coupled with the extensive recitation of facts regarding Plaintiffs’ patent applications, official fees paid regarding their patent applications and damages associated with the USPTO’s violations of 35 U.S.C § 135(a) based on the S.A.W.S. designations, as well as the undisputed facts that Plaintiffs filed the identified patent applications (Am. Compl. ¶1, 3-7.) and paid official fees to the USPTO upon filing and during prosecution, establish a reasonable basis for assertion that the Defendant is liable for the misconduct alleged by Plaintiffs. Furthermore, Plaintiffs have identified all elements of the

implied-in-fact contracts between Plaintiffs and the USPTO in this response. See pages 5-10 above.

The government has ignored Plaintiffs' well-plead facts and allegations. Instead, the government attempts to incorrectly characterize the allegations in Plaintiffs' Complaint about the nature of the S.A.W.S. Program (MTD, p. 14.) in attempting to suggest the S.A.W.S. program was merely "...a purely internal review of some pending U.S. patent applications..." with no untoward effects.

The government attempts to argue that notification of the S.A.W.S. program designation is not mandated by 35 U.S.C. §132(a) and 37 C.F.R. § 1.104(a)(2), citing *In re Jung*, 637 F.3d 1356 and opines that the "notice requirement [of 35 U.S.C. §132(a)] 'is [only] violated when a rejection is so uninformative that it prevents the applicant from recognizing and seeking to counter the grounds for rejection.'" (MTD, p.15.) However, *In re Jung* only addresses a situation in which a rejection or an objection is made of record to the patent applicant, yet still communicated. *In re Jung* does not address the instant case in which a S.A.W.S. designation had been placed on an application, barring that application from issuing as a patent, and yet not communicated in any way to the patent applicant.

The government attempts to infer that a S.A.W.S. designation is not an objection or rejection to an application within the meaning of 35 U.S.C. §132(a) (MTD, p.15.). Plaintiffs respectfully disagree. Any rejection or objection that is made in a patent application is a bar to allowance and issue of a patent. The application cannot be allowed to issue as a patent until the rejection/objection is answered and addressed. A designation of a patent application in the S.A.W.S. program, however misguided, was clearly a bar to allowance and issue of a patent based on the application and thus is also an objection or rejection under 35 U.S.C. §132(a),

even if the S.A.W.S. designation is kept secret. However, for purposes of determining justiciability of Plaintiffs' claims under RCFC 12(b)(6), the well-pleaded facts and allegations in Plaintiff's First Amended Complaint are clearly "enough to raise a right to relief above the speculative level on the assumption that all of the complaint's allegations are true." *Bell Atl. Corp.*, 550 U.S. at 555, 127 S.Ct. 1955.

**III. Plaintiffs are real parties in interest, pursuant to RCFC 17, and have standing to bring suit.**

Plaintiffs eVideo Owners have standing

The government argues that Plaintiffs eVideo Owners and Mauro DiDomenico lack standing (MTD, pp.3-5.) citing various exhibits relating to different times in the history of U.S. patent application serial nos. 09/840,868 and 13/333,840 (i.e., the "eVideo applications").

Plaintiffs have stated that Plaintiff eVideo Owners is an informal association that includes Plaintiff Mauro DiDomenico (Am. Compl. ¶¶ 17-18.). Plaintiff eVideo Owners is a nascent entity and has not been formalized. However, it is indisputable that Dr. DiDomenico is the sole inventor of the eVideo applications (Am. Compl. ¶ 2.). Even assuming, *in arguendo*, that the government continues to challenge the standing of eVideo Owners based on the dissolution of eVideo Inc., the ownership of the eVideo Applications has reverted fully to Plaintiff Mauro DiDomenico, through reversionary rights of assignment, who is therefore the real party in interested regarding the eVideo applications, pursuant to RCFC 17.

Plaintiff Mauro DiDomenico, Jr. has standing

Currently, and at all times since at least September 27, 2002, Plaintiff Mauro DiDomenico has been the sole owner of a 100% interest in both eVideo Applications.

On March 27, 2001, Dr. DiDomenico transferred his ownership rights in the earlier filed



eVideo application to eVideo, Inc. by formal assignment (**Exhibit 3**). However the assignment also included a reversionary clause in which all rights assigned to eVideo Inc. reverted back to Plaintiff Mauro DiDomenico at the end of eighteen months following execution of the assignment (Exhibit 3) on March 27, 2001 in the event of 1) an operational prototype was not initiated or 2) Plaintiff Mauro DiDomenico did not provide a written extension to the eighteen month period. See REVERSION at Section II, paragraph 1 in Exhibit 3. Neither of these conditions had ever been met, so reversion of ownership in the earlier filed eVideo application reverted to Plaintiff Mauro DiDomenico.

In addition, on or about January 27, 2009, eVideo Inc. was formally dissolved. Please see the Certificate of Dissolution (**Exhibit 4**). Point 2 of the Certificate of Dissolution in Exhibit 4 establishes that at the time of dissolution, eVideo Inc. had no assets. Therefore, the reversion of the ownership in the earlier filed eVideo Application to Dr. DiDomenico must have occurred prior to January 27, 2009. Therefore Plaintiff DiDomenico has held full ownership of the earlier filed eVideo application since at least January 27, 2009 and as early as September 27, 2002.

No assignment was ever executed regarding the later filed eVideo Application. Ownership of a patent application, filed prior to September 16, 2012, resides with the inventors, unless otherwise assigned. See *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248, 26 USPQ2d 1572, 1582 (Fed. Cir. 1993) and 35 U.S.C. §261. Accordingly, Plaintiff Mauro DiDomenico, as the sole inventor of the later filed eVideo application, has always held full ownership of that application.

**All the named Plaintiffs have standing**

The government attempts to argue that all Plaintiffs lack standing “for the reasons

explained in Argument Section I.B.1” (MTD, p.5.) Argument Section I.B.1 of the government’s Motion to Dismiss alleges that Plaintiffs’ first Amended Complaint be dismissed for lack of subject matter jurisdiction because “...Plaintiffs have not set forth a cognizable exaction claim...” (MTD, p.7.). This same argument is addressed above. As noted above, the government ignores the implied-in-fact contracts themselves associated with Plaintiffs’ respective patent applications which have been specifically identified (Am. Compl. ¶¶ 1, and 3-7.) as well as breaches and damages (Am. Compl. ¶¶ 34-59.). The Court has jurisdiction in this case under the Tucker Act as the government has breached implied-in-fact contracts which existed between Plaintiffs and the USPTO, which improperly exacted fees from Plaintiff’s and improperly required Plaintiffs to expend costs and fees on legal counsel. The Tucker Act provides jurisdiction over implied-in-fact contract claims against the government. *United States v. Mitchell*, 463 U.S. at 215.

### **CONCLUSION**

For all the above reasons, the government’s motion to dismiss should be denied. Plaintiffs respectfully request that this Court deny the government’s motion and allow this case to be decided on the merits.

### **REQUEST FOR PRELIMINARY DISCOVERY**

In the event the Court deems that the government’s arguments persuasive, Plaintiffs respectfully request preliminary discovery in order prove-up the Plaintiffs’ claims regarding the Defendant’s violations of Plaintiffs’ substantive due process (Am. Compl. ¶¶ 68-73.).

The Defendant has asserted that Plaintiffs have not established conduct by the

government which shocks the conscience or interferes with any of Plaintiffs' fundamental rights (MTD, p.16.), *United States v. Salerno*, 481 U.S. 739, 746 (1987). However, as explained above, the Defendant is in the sole control of all information relating to the specifics about the S.A.W.S. designations applied to Plaintiffs' patent applications and has steadfastly refused to disclose such information to Plaintiffs or any other patent applicant which had been designated in the S.A.W.S. program. Upon information and believe, the USPTO's conduct with regard to the S.A.W.S. program has interfered with Plaintiffs' fundamental rights and does indeed shock the conscience. What is needed to bring this to the light is full disclosure on the part of the USPTO.

Plaintiff therefore request the Court issue an order for preliminary discovery before entering a final decision in favor of the Defendant's Motion to Dismiss.

Respectfully submitted,

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\* *Pro Hac Vice* Motion to Follow

September 14, 2015

COUNSEL FOR PLAINTIFFS

**CERTIFICATE OF SERVICE**

The undersigned certifies that the foregoing PLAINTIFFS' OPPOSITION TO DEFENDANT'S MOTION TO DISMISS was filed under the Court's CM/ECF System and was served on all counsel of record thereby and in addition was served via electronic mail upon all counsel of record on this, 14th day of September, 2015. All counsel of record are served through electronic mail and no additional or alternative means of service were used.

**/s/ Patrick R. Delaney**  
Patrick R. Delaney

**APPENDIX**

Exhibit 1..... p. 5, 9  
Exhibit 2..... p. 10  
Exhibit 3..... p. 20  
Exhibit 4..... p. 20