

**IN THE UNITED STATES COURT OF FEDERAL CLAIMS**

EVIDEO OWNERS, et al.	:	
	:	
	:	
Plaintiffs,	:	Case No. 15-413C
	:	
v.	:	Judge Lydia Kay Griggsby
	:	
THE UNITED STATES	:	
	:	
Defendant.	:	

**PLAINTIFFS’ RESPONSE BRIEF TO DEFENDANT’S INITIAL SUPPLEMENTAL BRIEF ON DEFENDANT’S MOTION TO DISMISS**

Plaintiffs Mauro DiDomenico, Douglas Buerger, Craig Linden, RealVirt LLC and Paul Barous, individually and on behalf of all those similarly situated, respectfully submit the following PLAINTIFFS’ RESPONSE BRIEF TO DEFENDANT’S INITIAL SUPPLEMENTAL BRIEF ON DEFENDANT’S MOTION TO DISMISS as required by the Court and in response to Defendant’s motion to dismiss dated August 14, 2015.

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January 11, 2016

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## ARGUMENTS

On November 10, 2015, the Court issued an order for supplemental briefing to address the following two issues:

- 1) Whether the Court has jurisdiction to consider plaintiffs' illegal exaction claim under *Norman v. United States*, 429 F.3d 1081 (Fed. Cir. 2005) and its progeny; and
- 2) Whether the Court's Tucker Act jurisdiction with respect to the plaintiffs' illegal exaction claim is displaced by 35 U.S.C. § 42(d) and 37 C.F.R. § 1.26.

On December 14, 2015, the Defendant filed an Initial Supplemental Briefing pursuant to the Court's order. The following are the Plaintiff's responses to arguments raised in the Defendant's Initial Supplemental Briefing.

### ISSUE 1

#### **The Court has jurisdiction to consider plaintiffs' illegal exaction claim under *Norman* and its progeny**

Plaintiffs contend that the Court has jurisdiction to consider plaintiff's claims based upon *Norman v. United States*, 429 F.3d 1081 (Fed. Cir. 2005) because the illegal violations of 35 U.S.C. §132(a) by the USPTO provide a "necessary implication that the remedy for its violation entails a return of money unlawfully exacted." *Norman*, 429 F.3d at 1095. Furthermore, the plaintiffs were required, as a "direct result", because of the illegal violations of 35 U.S.C. §132(a) by the USPTO, to improperly pay official government fees under one or more of 37 C.F.R. §§1.16, 1.17, 1.18, 1.19, 1.20, 1.445, 1.492 or 1.482 in the prosecution of their patent applications before the USPTO in order to keep their applications pending and so as to rebut false and clearly erroneous rejections made by the USPTO Examiners in Office Actions directed

to plaintiffs' patent applications pending before the USPTO, rather than plaintiffs being notified that the applications were being blocked from allowance for reasons associated with secret S.A.W.S. designations.

The government has argued in their Initial Supplemental Briefing (Defendant's Initial Briefing, pages 4-8) and earlier (MTD, p. 8.) that plaintiffs have not shown that there is a direct causal relationship between the alleged illegal action and the exaction. *Norman*, 429 F.3d at 1096 ("The Normans argue that the 1991 Delineation had a direct or substantial effect on them, but they cannot reasonably maintain that it directly caused the actual 'exaction' alleged here . . . ."). Plaintiffs reply that causation (or nexus) is ordinarily a fact question that cannot be addressed in a motion to dismiss, see *Chevron U.S.A., Inc. v. United States*, 71 Fed. Cl. 236, 278 (2006).

Plaintiffs cannot establish the causation in this case prior to discovery because the USPTO has steadfastly refused to reveal the identity of any patent application which had been designated in the S.A.W.S. program. Nevertheless, upon information and belief, without ever being informed or notified by the USPTO that a S.A.W.S. designation was the "real" reason barring allowance of their patent applications, plaintiffs were required to pay official fees to the USPTO in order to keep their patent applications pending as well as respond to false and erroneous rejections that were maintained by USPTO Examiner's in their Office Actions regarding the plaintiffs patent applications. Clearly, had plaintiffs been informed of the S.A.W.S. designations, as mandated by 35 U.S.C. §132(a), plaintiffs could have responded in one or more of several different ways depending on the individual circumstances associated with a specific patent application that had been designated into the S.A.W.S. program. The types of response(s) that might have been advantageous to any particular plaintiff, had they been informed, timely, of a S.A.W.S. designation, include: 1) an administrative appeal of the

S.A.W.S. designation, based on such things as the subject matter or the nature of the S.A.W.S. designation and/or the subject matter of the patent application, 2) revising the pending patent applications to address the S.A.W.S. designation, 3) filing new or revised applications as alternatives to avoid the S.A.W.S. designation, 4) abandoning the S.A.W.S. designated applications or 5) some combination thereof.

Given the fact that plaintiffs were deprived of any information from the USPTO as to when or how their patent applications had been designated into the S.A.W.S. program, it was made impossible, by the illegal actions of the USPTO, for plaintiffs to assess what would have been the best recourse for their specific applications. Thus plaintiffs were denied the opportunity for responding, in a timely manner, to address the specifics as to how and why any individual patent application had been designated into the S.A.W.S. program.

Furthermore, because plaintiffs were not informed in a timely manner of the S.A.W.S. designations, they continued to prosecute their applications in reliance upon 35 U.S.C. §132(a), under the false understanding that they had been fully informed of all outstanding rejections or objections regarding their patent applications. In relying upon what should have been a fully lawful compliance with 35 U.S.C. §132(a) by the USPTO, plaintiffs incurred additional official fees and further damages in terms of attorney's fees and other costs associated with prosecuting their patent applications without being fully informed of the S.A.W.S. designations.

The government attempts (Defendant's Initial Briefing, page 9) to characterize *Clark v. United States*, 2014 WL 3728172, at \*5 (Fed. Cl. 2014) (unpublished), *aff'd*, 2015 WL 7567508 (Fed. Cir. 2015) as supporting their contention that official fees paid by plaintiffs based on the lack of compliance with 35 U.S.C. §132(a) by the USPTO are not an illegal exaction. However, in *Clark*, the *pro se* plaintiff in that case did not set forth any illegal violation of any statute in

their pleading.

Other cases cited by the government in attempting to characterize the requirements for finding jurisdiction based on an illegal exaction claim are less relevant or not on point. *Dourandish v. United States*, 120 Fed.Cl. 467, 474 (2015) (“*Dourandish I*”) and *Dourandish v. United States*, 2015 WL 6143319, \*5 (Fed. Cir. 2015) (“*Dourandish II*”) (Defendant’s Initial Briefing, page 10) relate to exaction claims that were erroneously based on a contract and not an asserted statutory power. *Fry v. United States*, 72 Fed.Cl. 500, 510-11 (2006) (Defendant’s Initial Briefing, page 10) relates to an insufficient statement in the pleadings of an unspecified ‘Limited Statutory Authority’, but the pleadings in *Frye* did not cite a particular statute. The government also cites a number tax cases (Defendant’s Initial Briefing, page 11) in an attempt to define what qualifies as an illegal exaction claim but does not address the distinction that the present case at issue is not a tax case.

## ISSUE 2

### **The Court’s Tucker Act jurisdiction with respect to the plaintiffs’ illegal exaction claim is not displaced by 35 U.S.C. § 42(d) and 37 C.F.R. § 1.26**

The government revisits (Defendant’s Initial Briefing, pages 12-13) its earlier argument argues that “...[t]he Tucker Act is displaced by the statutory scheme for refund of fees paid...”, under 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 plaintiffs which were wrongfully accepted by the USPTO based on situations created by the illegal actions of the USPTO in failing to notify plaintiffs, in accordance

with 35 U.S.C. §132(a), of the S.A.W.S. designations that were applied in secret by the USPTO to the plaintiffs' patent applications.

The government's argument regarding and citing *Wilson ex rel Estate of Wilson v. United States*, 405 F.3d 1002, 1009 (Fed. Cir. 2005) (MTD, p.13.) 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. By comparison, in *Wilson*, all the underlying Medicare transactions were known to the parties. In the present case, plaintiffs have no way of determining the appropriate fees to be refunded and the USPTO has continued to refuse to divulge any information regarding when or why the S.A.W.S. designations were applied, information that would be critical to determining any refund of official fees which had been paid by plaintiffs. Moreover, even if the USPTO were to now refund the official fees to plaintiffs, this would still 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.

CONCLUSION

For at least 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.

Respectfully submitted,

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January 11, 2016

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**CERTIFICATE OF SERVICE**

The undersigned certifies that the foregoing PLAINTIFFS' RESPONSE BRIEF TO DEFENDANT'S INITIAL SUPPLEMENTAL BRIEF ON 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, 11th day of January, 2016. 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