

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA
Case No. 16-CV-80855-DMM**

TRIPLE7VAPING.COM, LLC,
and JASON W. CUGLE

Plaintiffs,

vs.

SHIPPING & TRANSIT LLC,

Defendant.

_____ /

**PLAINTIFFS' MEMORANDUM IN OPPOSITION TO DEFENDANT'S MOTION TO
DISMISS**

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I. INTRODUCTION

Defendant Shipping & Transit, LLC (“Defendant” or “S&T”) has filed hundreds of meritless patent lawsuits. In the over 500 lawsuits S&T or its predecessors have filed, no court has made an actual determination of its patent rights. Instead, when confronted S&T does everything it can to delay substantive determination of its patent rights. S&T’s Motion to Dismiss (Dkt. 16, “Motion” or “Mot.”) is yet another example of S&T’s frivolous litigation delay activity.

S&T purports to have provided a “covenant not to sue.” What they provided, however, is anything but. S&T, without authority, claims that a dissolved company is not entitled to wind up its affairs. And rather than confront the substantial factual allegations in the complaint that show, in detail, that S&T’s claims of infringement against Plaintiffs Triple7Vaping.com, LLC (“Triple7”) and Jason Cugle (“Cugle”, and collectively with Triple7, “Plaintiffs”) were and are meritless, S&T relies on material outside the pleadings that purport to show its “investigation.”

S&T’s motion should be promptly denied, and this Court should resolve the merits of this lawsuit and S&T’s claims of infringement and validity as soon as possible.

II. LEGAL STANDARD

S&T moves to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). “In ruling on a 12(b)(6) motion, the Court accepts the factual allegations in the complaint as true and construes them in the light most favorable to the non-moving party.” *Speaker v. U.S. Dep’t of Health & Human Servs.*, 623 F.3d 1371, 1379 (11th Cir. 2010) (citation omitted). The Court may also consider “any documents attached to the complaint or incorporated into the complaint by reference.” *Benson v. QBE Ins. Corp.*, 61 F. Supp. 3d 1277, 1279 (S.D. Fla. 2014) (citing *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007)). When ruling on a motion to dismiss, the court will not consider matters outside the pleadings. *See Property Mgmt.*

& Inv., Inc. v. Lewis, 752 F.2d 599, 604 (11th Cir. 1985). A court may grant a motion to dismiss only where “it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.” *Magluta v. Samples*, 375 F.3d 1269, 1273 (11th Cir. 2004) (internal quotation omitted).

III. FACTUAL BACKGROUND

Plaintiffs’ Complaint includes detailed and particular allegations of bad faith which must be accepted as true at this stage of the litigation. These include S&T’s implausible allegations of infringement, its knowing assertion of expired patents, and patent demands directed against activity that, even under S&T’s implausible infringement theory, would be subject to license or exhaustion. Furthermore, S&T’s conduct is part of an expansive and long-running pattern of misbehavior. All of these facts, individually or collectively, are sufficient to allege bad faith.

A. Plaintiffs’ Basic Online Store

Since May 2015, Cugle has run an online business selling goods related to electronic cigarettes from the Internet storefront www.triple7vaping.com (the “Website”). Complaint ¶¶ 24-26. Cugle uses the United States Postal Service to deliver products to his customers. *Id.* ¶¶ 27-30. When an order is placed on the Website, Cugle prepares and sends a plain text email that includes a USPS tracking number. *Id.* ¶¶ 31-33. Unless the customer specifically requests more information, Cugle does not send further messages about its orders. *Id.* ¶ 34-35. Cugle does not provide his customers with any way to track a package, or a vehicle, other than sending the USPS tracking number in a plain text email. *Id.* ¶¶ 36-37. Had S&T ordered a product from the Website, it would have discovered that the only tracking emails sent were plain text emails with a USPS tracking number. *See id.* ¶¶ 73-75, 81.

B. S&T Sent a Demand Letter Regarding a Service It Knew Did Not Infringe Any of Its Patents

On January 6, 2016, S&T sent a demand letter to Plaintiffs. *See* Complaint, Exhibit F (hereafter “Demand Letter”). In its letter, S&T alleged that Plaintiffs infringed claims from four patents. These patents are (1) U.S. Patent No. 7,400,970 (“the ’970 patent”); (2) reexamined U.S. Patent No. 6,904,359 (“the ’359 patent”); (3) U.S. Patent No. 6,763,299 (“the ’299 patent”); and (4) U.S. Patent No. 6,415,207 (“the ’207 patent”). In its Demand Letter, S&T alleged that, by sending emails that purportedly included links for package tracking, Plaintiffs infringed claims from all four patents. *See* Demand Letter at 4-11. All of the asserted patent claims, by their clear language, relate to systems for tracking a “vehicle.” *See* Demand Letter, *see also* Compl. ¶¶ 85, 96, 104, 113.

S&T’s infringement allegations were made in bad faith for at least three reasons. First, had S&T performed a reasonable investigation, it would have known that Plaintiffs did not send links in its customer emails. Compl. ¶¶ 73-75, 81. Thus, it was either aware of, or willfully ignored, evidence that its infringement allegations were baseless. *Id.* ¶¶ 124, 145. Second, even if Plaintiffs’ emails had included links, the service would not still not have infringed because it is plainly not a system for tracking vehicles. The patents themselves make very clear that the purported inventions relate to vehicle tracking. Three of the asserted patents—the ’970 patent, the ’359 patent, and the ’299 patent—expressly distinguish systems that use tracking numbers associated with packages rather than vehicles. *Id.* ¶¶ 57-58. Similarly, the ’207 patent expressly describes the patented invention as relating to the precise tracking and updating of the location of a particular vehicle. *Id.* ¶¶ 60-62.

To take one example, S&T’s demand letter alleged that Plaintiff infringed claim 5 of the ’207 patent. *See* Demand Letter at 6-8. This claim requires that the system maintains “status

information indicative of a current proximity of [an] identified vehicle.” Compl. ¶ 113 (emphasis added). Only by intentionally misrepresenting the scope this claim, could S&T allege that a single email with a package tracking number satisfied this element. *Id.* ¶¶ 114-122. S&T made similar willful misrepresentations about the infringement of the other three patents it asserted in its demand letter. *See id.* ¶¶ 82-88 (the ’970 patent); ¶¶ 89-98 (the ’359 patent); ¶¶ 99-108 (the ’299 patent).

Plaintiff’s Complaint includes numerous additional facts showing S&T’s bad faith regarding infringement. For example, S&T’s demand letter asserted claim 41 of the ’359 patent *without* including the amendments to that patent claim that were added during reexamination. *Id.* ¶¶ 89-91, 234. Moreover, the omitted claim language was highly relevant as it included additional limitations—such as “the vehicle whose travel is being monitored”—that make Plaintiffs’ noninfringement evident. *Id.* ¶¶ 92-94. In sum, S&T willfully misread and intentionally misrepresented the scope of its patents to claim infringement by a service it knew, or should have known, did not infringe. *Id.* ¶¶ 86, 97, 105, 114, 232.

C. S&T Asserted Three Patents Against a Business That Did Not Even Exist When Those Patents Expired

Three of the asserted patents expired more than a year before the accused service even existed. The ’299 patent expired no later than May 18, 2013. *Id.* ¶ 52. The ’970 patent expired no later than July 1, 2013. *Id.* ¶ 45. The ’359 patent expired no later than August 27, 2013. *Id.* ¶ 49. S&T is fully aware that these three patents have expired. *Id.* ¶¶ 46, 50, 53.

The accused Website, www.triple7vaping.com, did not exist prior to May 5, 2015. *Id.* ¶ 76. Triple7 did not exist prior to August 26, 2015. *Id.* ¶¶ 11. These facts are easily discovered at no cost, using methods known to S&T. *See id.* ¶¶ 26, 76-77. Had Shipping & Transit performed a reasonable inquiry into the merits of its claims before sending its Demand Letter, it

would have learned that the accused website did not exist and Plaintiff did not ship products ordered through it until well after these three patents had expired. *Id.* ¶ 228. S&T either pursued claims it knew to be unfounded or willfully ignored evidence that its claims were unfounded. *Id.* ¶¶ 80, 230.

D. S&T Asserted Patent Claims Against a Service That it Knew to Be Shielded By License or Exhaustion

Cugle sends customer emails with USPS tracking numbers. *Id.* ¶ 28-31. When it sent its Demand Letter, S&T noted the use of USPS for deliveries. *See* Demand Letter at 4 (noting that Plaintiffs provided customers with “a tracking number from USPS”). S&T’s predecessors in interest, ArrivalStar S.A. and Melvino Technologies Limited (hereafter “ArrivalStar”), had previously sued the United States for infringement based on the activities of USPS. Complaint ¶ 78. That litigation ended when ArrivalStar covenanted not sue the United States for any claims relating to United States Patent Nos. 6,278,936, 6,714,859, 6,904,359, 7,089,107, 7,400,970, or any other patents that may issue claiming priority from those patents. *Id.*; *see also* Compl., Exhibit M.

Since S&T’s predecessor-in-interest had covenanted not to sue the United States for any alleged infringement relating to at least the ’970 patent and the ’359 patent, any alleged infringement by shipping via USPS is immune from suit under those patents and well as any patent that would restrict the ability of USPS to engage in activities licensed by those patents. *Id.* ¶ 229; *see also* Part IV.C.2 *infra*. S&T asserted patent infringement despite knowing that its claims were barred by patent exhaustion, implied license, and legal estoppel in light of its covenant not to sue USPS. Compl. ¶ 230.

E. S&T’s Bad Faith in this Case is Part of a Wide Pattern of Misconduct

S&T’s bad faith demand against Plaintiff is merely one of hundreds of bad faith demands

and nuisance lawsuits. *See id.* ¶¶ 42, 66, 148-149, 155. S&T sends cookie-cutter demand letters without regard to whether the targets infringe its patents. *Id.* ¶ 147. For example, in its claim charts accusing Jackthreads.com of infringing the patents-in-suit, S&T alleged word-for-word (other than the name of the allegedly infringing party) the exact same allegations as those made against Plaintiffs. *Id.* ¶146. Other examples of bad faith conduct by S&T or ArrivalStar include:

- Knowingly misrepresenting the priority dates of claims of the '359 patent. *Id.* ¶¶ 160-163.
- Knowingly misrepresenting the expiration date of the '970 patent. *Id.* ¶ 165.
- Knowingly making demands of patent infringement regarding conduct it knew was covered by a license from FedEx. *Id.* ¶¶ 153-154.

S&T's entire business model is based on bringing meritless claims and using the cost of litigation to leverage unwarranted settlements. *See id.* ¶¶ 150-151.

IV. ARGUMENT

A. S&T's Covenant Not to Sue Is Not Effective to Deprive This Court of Jurisdiction

“Whether a covenant not to sue will divest the trial court of jurisdiction depends on what is covered by the covenant.” *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1297 (Fed. Cir. 2009). A statement that a patent owner “would not sue [] for infringement as to particular products [does] not divest the court of declaratory judgment jurisdiction.” *Id.* An effective covenant would cover not only all present and past activities, but also any future activities that are “colorable imitation[s]” of past activities. *Already, LLC v. Nike, Inc.*, 568 U.S. ___, 133 S. Ct. 721, 728 (2013); *see, e.g., True Center Gate Leasing, Inc. v. Sonoran Gate, LLC*, 402 F. Supp. 2d 1093 (D. Ariz. 2005) (covenant effective to strip court of jurisdiction where it extended to all products in existence on the day of the covenant, even if such products were produced and sold afterwards); *Samsung Elecs. Co. v. Rambus, Inc.*, 398 F. Supp. 2d 470, 474

(E.D. Va. 2005) (covenant effective where it covered “any and all methods, processes, and products made, used, offered for sale, sole, or imported by Samsung currently or at any time prior to the date of this covenant” where construed to also cover future acts involving existing products). It is Defendant’s burden to show they have executed a covenant that shows it “could not reasonably be expected to resume its enforcement efforts against” Plaintiffs. *Already*, 133 S. Ct. at 727 (citation and quotation omitted).

S&T has not met its burden of showing this Court lacks jurisdiction. S&T argues, based on a “covenant not to sue” (the “Covenant”, Exhibit 1 to the Motion, Dkt. 16-1) that no case or controversy exists between Plaintiffs and S&T and thus this entire lawsuit must be dismissed. The Covenant S&T presents to this court falls woefully short of the standards required to divest this court of jurisdiction. Importantly, it is not a unilateral covenant but rather an offer to settle. It needs Plaintiffs’ assent to be effective, and Plaintiffs in fact have rejected it. *See* Covenant at 1 (“Covenant and Covenantee acknowledge and agree that this Agreement made hereunder . . .” and providing for Plaintiffs to sign); *see Minneapolis & St. L. Ry. Co. v. Columbus Rolling-Mill Co.*, 119 U.S. 149, 151 (1886) (“no contract is complete without the mutual consent of the parties, an offer to sell imposes no obligation until it is accepted according to its terms.”). Moreover, it requires Plaintiffs to dismiss their state law claims with prejudice, forego any opportunity to seek attorneys’ fees and costs, and maintain confidentiality regarding the Covenant in perpetuity. Covenant at 1-2. Finally, it does not purport to include all past acts and future acts that are colorable imitations of current activities, and instead limits itself to only those “manual” activities as defined by S&T. *Id.* at 1.

A covenant such as the one presented by S&T is ineffective.¹ S&T could have provided Plaintiffs with an effective covenant. It did not, and S&T's motion should be denied on that basis.

B. Plaintiff Triple7 Has Standing to Seek the Relief Sought

A Maryland LLC continues its existence after dissolution in order to wind up its affairs. *See* Md. Corp. & Ass'ns Code § 4A-908(b) (“the limited liability company continues to exist for the purpose of paying, satisfying, and discharging any existing debts or obligations, collecting and distributing its assets, and doing all other acts required to liquidate and wind up its business and affairs.”) (“Section 908(b)”). Counsel for Triple7 has been unable to locate any reported Maryland case construing Section 908(b). However, courts in other jurisdictions have construed similar statutes and determined that a company does not lose the ability to sue once dissolved, as such ability can be part of the “winding up” process.

For example, a Florida statute using language remarkably similar to Maryland's statute allows for a dissolved corporation to carry on business “appropriate to wind up and liquidate its business and affairs” and specifically, “every other act necessary to wind up and liquidate its business and affairs.” Fla. Stat. § 607.1405(1). This statute has been interpreted by Florida courts to allow a dissolved corporation “to commence proceedings in its own name as long as it is necessary to wind up and liquidate its business” where the plaintiff “contends this claim is an attempt to collect assets.” *Cygnets Homes, Inc. v. Kaleny Ltd. of Fla., Inc.*, 681 So. 2d 826, 826 (Fla. 4th Dist. Ct. App. 1996). The Court of Appeals for the Federal Circuit relied on this law

¹ It should be noted that at most S&T's argument applies only to Plaintiffs' claims for declaratory relief. Covenants not to sue work to divest the court of jurisdiction because it removes any Article III case or controversy between the parties such that the “parties lack a legally cognizable interest in the outcome.” *See Already*, 133 S. Ct. at 726. Regardless of whether S&T has served an effective Covenant, Plaintiffs maintain a legally cognizable interest in collecting damages for violations of Maryland law.

when it determined that a dissolved Florida company could maintain a patent infringement lawsuit brought after the company had dissolved. *See Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1307-08 (Fed. Cir. 2003) .

It is not at all uncommon or surprising that a state would provide for this ability. Many states allow a dissolved company to sue and be sued. *See e.g.*, Va. Code Ann. § 13.1-1048(B) (trustees of dissolved LLC have authority to “prosecute and defend suits” on behalf of the limited liability company); Cal. Corp. Code § 17707.06 (dissolved LLC continues to exist for purpose of winding up its affairs, including “prosecuting and defending actions by or against it in order to collect and discharge obligations”); *Tremond Co. v. Schering Corp.*, 122 F.2d 702, 706 (3d Cir. 1941) (noting that New York law allows a dissolved corporation to seek declaratory judgment of non-infringement and invalidity of a patent, and sue and be sued in its corporate name); *see also* 16A Fletcher Cyc. Corp. § 8142 (noting that “[i]n most states, dissolution of a corporation no longer has the effect of foreclosing lawsuits by or against the corporation”).

S&T argues without authority that seeking affirmative relief in the form of a lawsuit is not “winding up” and therefore Triple7 does not have standing to bring a lawsuit. Mot. at 11-12. S&T argues that the parties “have no debts between one another, Defendant is not owed any money or have debts in its favor against Plaintiff, nor can Plaintiff argue the same. . . . [and] there is no way the pursuit of any alleged controversy would be considered a winding up of business affairs.” Mot. at 12.

S&T is wrong. As the case law above makes clear, there is no reason to believe that “winding up” cannot include bringing this lawsuit. Here, S&T made a claim of patent infringement against Plaintiffs. *See* Compl. ¶¶ 66-144. From at least the moment S&T made its claim, Triple7 had a need to resolve the dispute in order to wind up its affairs. Triple7 needed to

ensure any “debts or obligations” it allegedly owed were resolved (e.g., if it did in fact infringe) and, more importantly, it became entitled to “collect[] and distribut[e] its assets” in the form of damages incurred through S&T’s violation of the Maryland Bad Faith Demand Letter law. *See* Md. Comm. L. §§ 11-1601 *et seq.*

Triple7 has alleged claims that need to be resolved in order for Triple7 to wind up its affairs. Under Maryland law, Triple7 has standing to sue.

Finally, it should be noted that this aspect of S&T’s Motion is only relevant to Triple7. S&T has not argued that Cugle does not have the capacity to sue for violations of the Maryland Bad Faith Demand Letter law or for declaratory judgment, and thus even if the court rules in S&T’s favor on this basis, Cugle’s claims should not be dismissed.

C. Plaintiff States a Cause of Action for Violation of Maryland Law

Count IX of Plaintiffs’ Complaint alleges a violation of Maryland Commercial Law § 11-1601 *et seq.*, an Act entitled “Bad Faith Assertions of Patent Infringement” (“the Maryland Act”). This law prohibits “mak[ing] an assertion of patent infringement against another in bad faith.” Md. Comm. Law § 11–1603(a). S&T argues that the Maryland Act is “preempted” by federal law. *See* Mot. at 12-15. But the authority it cites does not support that conclusion. To the contrary, federal law allows state claims based on bad faith and Plaintiffs’ Complaint easily satisfies the relevant standard.

1. Federal Law Does Not Preempt the Maryland Act

Federal law does not wholly preempt state unfair competition laws, such as the Maryland Act. *See Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1343 (Fed. Cir. 1999). Indeed, even cases cited by S&T make this clear. In *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, the Federal Circuit wrote that “there is no reason to believe that the clear and manifest purpose of Congress was for federal patent law to occupy exclusively the field pertaining to state unfair

competition law.” 153 F.3d 1318, 1333 (Fed. Cir. 1998), overruled on other grounds, *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359 (Fed. Cir. 1999). The court held that “there is no field preemption of state unfair competition claims that rely on a substantial question of federal patent law.” *Hunter Douglas*, 153 F.3d at 1333.

Rather than wholly preempt state law, federal law requires that claims founded on state laws such as the Maryland Act are supported by evidence bad faith. *See, e.g., Globetrotter Software, Inc. v. Elan Computer Grp., Inc.*, 362 F.3d 1367, 1375-77 (Fed. Cir. 2004) (citing *Profl Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993)). Thus, Plaintiffs agree with S&T that a claim under the Maryland Act succeeds only if Plaintiffs can establish bad faith by the patent owner. *See Zenith*, 182 F.3d at 1343 (“the protection otherwise afforded by the patent laws to a patentee’s conduct in enforcing its patent may be lost if the patentee acts in bad faith”). However, this is a motion to dismiss, and the allegations of the Complaint must be accepted as true. To prevail on its motion to dismiss, S&T must show that Plaintiff’s Complaint does not sufficiently allege bad faith. This S&T cannot do.

2. Plaintiffs’ Complaint Includes Numerous Allegations of Bad Faith

Plaintiffs’ Complaint alleges multiple misrepresentations by S&T. Moreover, these are precisely the kinds of misrepresentations that courts have recognized as examples of bad faith. Three misrepresentations are discussed below.

First, S&T made bad faith allegations of infringement. *See generally* Part III.B *supra*. At the time it sent its Demand Letter, it either knew that Plaintiffs did not infringe or willfully ignored evidence showing that Plaintiffs did not infringe. *See* Complaint ¶¶ 86, 97, 105, 114, 232. Even a cursory investigation—such as placing a single order—would have revealed Plaintiffs do not infringe, even if S&T were correct in how it construes its claims. *See id.* ¶¶ 73-

75, 81, 124, 145.² In addition, S&T willfully ignored missing claim elements relating to tracking and updating vehicle location. *See id.* ¶¶ 82-122. If proven, these allegations would support a finding of bad faith. *See Teva Pharm. USA, Inc. v. Abbott Labs.*, 580 F. Supp. 2d 345, 364 (D. Del. 2008) (objectively unreasonable infringement allegations created triable issue of whether litigation was a sham).

In its motion, S&T implies, without factual support, that the claim construction position underlying its infringement allegations was reasonable. *See Mot.* at 15. It cites to *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372, 1377 (Fed. Cir. 2011) for the unremarkable proposition that reasonable minds can sometimes differ as to claim construction. But this does nothing to rebut Plaintiffs' detailed allegations that S&T in fact takes an unreasonable position in its claim constructions. Compl. ¶¶ 59, 81, 85, 93-94, 96, 104, 113, 156; *see Source Vagabond Sys. Ltd. v. Hydrapak, Inc.*, 753 F.3d 1291, 1301 (Fed. Cir. 2014) (frivolous claim construction arguments supported Rule 11 sanctions).

Second, S&T asserted patent claims against a service it knew or should have known did not exist when the claims expired. *See generally* Part III.C. *supra*. S&T does not deny that three of the patents-in-suit expired in 2013 and that it knows that these patents have expired. Nor does it deny that the accused website did not exist in 2013. Had it done even a cursory pre-suit investigation, it would have quickly discovered that it could not assert its expired patents against Plaintiffs. *See* Complaint ¶¶ 26, 77. S&T knowingly asserted expired claims (without any statement that they were expired) despite being aware of, or willfully ignoring, evidence that it could not assert those claims against Plaintiffs. *Id.* ¶¶ 80, 230. This shows bad faith. *See Golan v.*

² A reasonable investigation includes inspecting the accused product or service. *See Vehicle Operation Techs. LLC v. Am. Honda Motor Co. Inc.*, 67 F. Supp. 3d 637, 651-52 (D. Del. 2014) (imposing Rule 11 sanctions for failure to adequately inspect accused devices).

Pingel Enterprise, Inc., 310 F. 3d 1360, 1372 (Fed. Cir. 2002) (“A party that knowingly asserts an expired, and therefore unenforceable, patent results in a clear case of bad faith.”) (citing *Zenith*, 182 F.3d at 1354).

Third, S&T knowingly asserted patent claims against conduct it knew to be protected by license or exhaustion. *See generally* Part III.D. *supra*. When S&T sent its demand letter, it knew that Plaintiff used USPS for customer deliveries and it knew that USPS was immune to suit under at least the '970 patent and the '359 patent and any patent that would restrict the ability to practice acts claimed by those patents. *See* Complaint ¶¶ 78, 229-30; *Transcore, LP v. Electronic Transaction Consultants Corp.*, 563 F.3d 1271, 1278-79 (Fed. Cir. 2009); *see also In re TR Labs. Pat. Litig.*, 2014 WL 3501050, at *1, 4 (D.N.J. July 14, 2014) (patent owner’s claims against customer exhausted by covenant not to sue provided to supplier). Thus, it made bad faith demands it knew to be barred by exhaustion, estoppel, and license.

Each of these misrepresentations, standing alone, would be sufficient to defeat S&T’s motion to dismiss. The Complaint provides many other examples of bad faith by S&T. For example, Plaintiffs have alleged that S&T’s patent assertion is part of a repeated pattern of filing frivolous, cookie-cutter lawsuits and immediately seeking settlements well below the cost of litigation. *See generally* Part III.E. *supra*. These allegations show bad faith. *See Eon-Net LP v. Flagstar Bancorp*, 653 F. 3d 1314, 1326-27 (Fed. Cir. 2011) (patent owner’s “history of filing nearly identical patent infringement complaints against a plethora of diverse defendants, [] followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation” has “indicia of extortion” showing bad faith).

Plaintiffs’ allegations easily show S&T asserted its patents in bad faith, and are more than sufficient to survive a motion to dismiss.

3. S&T's Motion Merely Repeats an Argument That Has Already Been Rejected by A Judge of This Court

This is not the first time that the S&T's counsel has presented an unfounded motion to dismiss a state law claim. In January 2015, S&T's predecessor in interest, ArrivalStar, sued a company called Demandware, Inc., for patent infringement. *See ArrivalStar, S.A. v. Demandware, Inc.*, Case No. 15-cv-80098, Order on Mot. to Dismiss, Dkt. 40, at 1 (S.D. Fla. July 6, 2015) (hereafter "Demandware Order"). Demandware brought a counterclaim alleging unfair and deceptive practices in violation of Massachusetts state law. *See id.* at 3. ArrivalStar, represented by the same counsel that now represents S&T, filed a motion to dismiss citing the same authority S&T cites in this motion. *See ArrivalStar, S.A. v. Demandware, Inc.*, Case No. 15-cv-80098, Mot. to Dismiss, Dkt. 29, at 6 (S.D. Fla. filed May 15, 2015) (citing *Globetrotter Software, Inc. v. Elan Computer Grp., Inc.*, 362 F.3d 1367 (Fed. Cir. 2004) and *Va. Panel Corp. v. MAC Panel Co.*, 133 F.3d 860 (Fed. Cir. 1997)).

Judge Marra denied ArrivalStar's motion to dismiss the counterclaim brought under Massachusetts state law. *See Demandware Order* at 10-11. Judge Marra ruled that the counterclaim could proceed since it was founded on allegations of bad faith. *Id.* at 10 (noting that the "Counterclaim states that Plaintiffs' infringement claims were made in bad faith and were 'nothing more than an attempt to leverage the high cost of defending against such claims in hope of obtaining a payment.'"). Judge Marra held that allegations of "[b]ad faith pre-litigation conduct" could support a state law claim. *Id.* (citing *SCVNGR, Inc. v. eCharge Licensing, LLC*, No. 13-12418-DJC, 2014 WL 4804738, at * 5 (D. Mass. Sept. 25, 2014)).

S&T makes no effort to distinguish this case from the Demandware proceeding. Indeed, it did not even inform the Court that it has previously lost an almost identical motion to dismiss.

D. The Dollard and Turnbull Affidavits Confirm that S&T's Motion Must Be Denied

For the reasons given above, Plaintiffs have met their burden in pleading bad faith violations of Maryland Law. S&T's two affidavits, one signed by counsel of record for S&T, and another by S&T's licensing agent (collectively, the "Affidavits"), do not show otherwise. *See* Dkts. 17 & 18-1. The Affidavits purport to show how S&T's alleged cursory investigation of Plaintiffs' products and services establishes "good faith" so as to avoid violations of Maryland law. They do not.

First, the Affidavits should be disregarded and given no weight. On a motion to dismiss, the court generally does not consider matters outside the pleadings. *See Property Mgmt & Inv., Inc. v. Lewis*, 752 F.2d 599, 604 (11th Cir. 1985). S&T provides no authority for deviating from this rule.³

If this Court is inclined to consider the Affidavits, Plaintiffs should be allowed to take discovery into the subject matter discussed in the Affidavits, and present evidence based on that discovery. *See* Fed. R. Civ. P. 12(d) (if the court considers matters outside the pleadings, "the motion must be treated as one for summary judgment under [Federal Rule of Civil Procedure] 56. . . . [and] [a]ll parties must be given a reasonable opportunity to present all the material that is pertinent to the motion.") & Fed. R. Civ. P. 56(d) (if essential facts are unavailable to the party opposing summary judgment, the court may "defer considering the motion or deny it," "allow time to . . . take discovery," or "issue any other appropriate order.").

Essential facts are unavailable to Plaintiffs. *See* Sarelson Affidavit, at ¶¶ 5-13. Given the opportunity, Plaintiffs intend to test the allegations made in the Affidavits, through all methods

³ The Turnbull Affidavit should also be disregarded as it was submitted past the deadline. *See* Dkt. 18, filed July 4, 2016. S&T provided no explanation as to why it was submitting a declaration three days after it was required to respond to the complaint. *See* Dkt. 15 (setting date to respond at July 1, 2016).

allowed by the Federal Rules.⁴

Second, even if the Affidavits are considered by this Court, they fall well short of a reasonable investigation as to infringement and “good faith.” The Federal Circuit has previously considered what is a “reasonable and competent inquiry” prior to assertion of patent infringement in the context of Federal Rule of Civil Procedure 11. *See, e.g., Eon-Net LP*, 653 F.3d at 1328-29. Under Rule 11, the patentee’s attorney must, “at a bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to the accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted.” *View Eng’g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 986 (Fed. Cir. 2000); *see also Eon-Net LP*, 653 F.3d at 1328-29; *S. Bravo Sys, Inc. v. Containment Techs. Corp.*, 96 F.3d 1372, 1375 (Fed. Cir. 1996). In other words, Rule 11 requires a two-step pre-filing analysis in patent cases: (1) an investigation into the legal basis of the claim of patent infringement (*i.e.*, a pre-filing “claim interpretation analysis”); and (2) a fact-intensive comparison of the accused product and the asserted claims. *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1300-01 (Fed. Cir. 2004). Where, as here, the accused products and services are easily and inexpensively available, a pre-filing investigation that does not include an examination of the accused products and services, a construction of the asserted claims, and a comparison of the construed claims to the accused products and services is *per se* unreasonable and violates Rule 11 as a matter of law. *Eon-Net LP*, 653 F.3d at 1329; *View Eng’g*, 208 F.3d at

⁴ S&T may attempt to claim that such discovery is protected by privilege. However, in submitting the Affidavits to this Court detailing S&T’s supposed “investigation,” S&T has waived any privilege it could have claimed. *See Eltech Sys. Corp.*, 710 F. Supp. at 637-38 (reliance on advice of counsel to show good faith in filing complaint waived privilege with respect to pre-filing investigation); *cf. In re EchoStar Communications Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006) (“[o]nce a party announces that it will rely on advice of counsel . . . the attorney-client privilege is waived.”).

986; *S. Bravo*, 96 F.3d at 1375.

S&T, in its Affidavits, implicitly admits it failed to do even the most minimal of investigation that the Federal Circuit has repeatedly found is required to allege patent infringement. For example, as discussed above, S&T does not state that it investigated when Triple7 and the associated website www.triple7vaping.com first came into existence and began operation. This is despite the fact that, as Plaintiffs have alleged, S&T knew three of the four asserted patents were expired and S&T could have easily and cheaply determined whether Plaintiffs practiced any possible invention disclosed in those patents prior to their dates of expiry. *See* Compl. ¶¶ 46; 50; and 53. As yet another example, neither affiant claims to have actually *ordered* a product from www.triple7vaping.com or received any of the emails S&T alleged in its Demand Letter had “links.” As Plaintiffs allege in their complaint, had S&T ordered a product, it would have known that its allegations regarding “links” were false.⁵ *See* Compl. ¶¶ 32; 87-88; 120-121. By failing to address either of these allegations in the Affidavits, S&T admits it did not do even the most basic investigation into the Plaintiffs products, services, and business. *See Judin v. U.S.*, 110 F.3d 780, 784-85 (Fed. Cir. 1997) (failure to obtain or attempting to obtain a sample of accused devices fails to meet reasonable inquiry standard of Rule 11).

Moreover, the Affidavits show that S&T could have no subjective belief in infringement when it sent the Demand Letter. The only specific allegation made to show S&T’s “good faith” appears to be the purported existence of a single statement on www.triple7vaping.com regarding

⁵ S&T could have purchased a product from Triple7Vaping.com for as little as \$2.99, thereby enabling S&T to adequately investigate the Triple7’s methods and whether they infringed any claims of the patents-in-suit.

“automated emails.”⁶ *See generally* Dollard Affidavit; Turnbull Affidavit. Yet as discussed above, the law requires much more, and S&T has no justification for why it did not engage in the most basic investigation. *See also Eltech Sys. Corp. v. PPG Indust., Inc.*, 710 F. Supp. 622, 638 (W.D. La. 1988) *aff’d* 903 F.2d 805 (Fed. Cir. 1990) (holding that a conclusory account of pre-suit investigation is insufficient to sustain an “advice of counsel” defense to bad faith litigation claim).

As another example of S&T’s bad faith, S&T encouraged Plaintiffs to take a license because “there may come a time when Triple7Vaping, LLC may upgrade to technology that may infringe patents within my clients portfolio.” But S&T is well aware that three of the four patents have expired and are therefore unenforceable going forward. Plaintiffs could tomorrow “upgrade” their technology yet still not infringe patents in S&T’s portfolio. Asserting otherwise is *per se* bad faith. *See Golan*, 310 F.3d at 1372 (“A party that knowingly asserts an expired, and therefore unenforceable, patent results in a clear case of bad faith.”).

V. CONCLUSION

S&T’s Motion is yet another attempt to delay having to respond to the allegations made against it, and resolve, once and for all, whether S&T has any patent rights it can enforce. This Court should promptly deny the Motion and order S&T to respond to the Complaint.

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⁶ The Dollard and Turnbull Affidavits to this effect are disingenuous at best, and purposefully misleading at worst. Without providing the Court with an actual printout of the relevant web page, they both simply declare that the Website said that Plaintiffs sent an “automated email.” In fact, discovery would show that the Website said: “All shipments include a tracking number from U.S.P.S. which is ***automatically emailed to you*** once your package has been processed and your tracking info will also be retained on your PayPal transaction summary.” *See* Sarelson Affidavit, Exhibit A. “Automated” implies that a task is performed by a device without human intervention. By contrast, “automatically” can imply that something is done as a matter of course, without the need for a user’s request that it be done. Defendant has pointed to nothing other than its counsel and agent’s conclusory and self-serving Affidavits that shows anything on the Website indicated that any emails were “automated.”

Dated: July 14, 2016

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing along with all attachments was served via CM/ECF on July 14th, 2016 on all counsel or parties of record on the service list below.

By: /s/ Matthew Sarelson
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