

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF VERMONT

MPHJ TECHNOLOGY INVESTMENTS,)
LLC, inclusive of its subsidiaries,)

Plaintiff)

v.)

Docket No. 2:14-cv-191

WILLIAM SORRELL, in his official capacity)
as Attorney General of the State of Vermont,)

Defendant.)

**PLAINTIFF MPHJ TECHNOLOGY INVESTMENTS, LLC'S
OPPOSITION TO DEFENDANT SORRELL'S MOTION TO DISMISS**

TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 4

ARGUMENT 7

I. MPHJ HAS STATED CLAIMS FOR RELIEF THAT SATISFY RULE 12(b)(6)..... 7

A. MPHJ Has Stated A Claim For Relief In Connection With Claim I(A) –
Unconstitutionality Of The BFAPIA 8

1. MPHJ Has Stated A Claim For Its Facial Challenge To The BFAPIA..... 8

2. MPHJ Has Stated An As-Applied Challenge To The BFAPIA Claim 11

B. MPHJ Has Stated A Claim For Relief In Connection With Claim I(D) –
Unconstitutionality Of The BFAPIA And The VCPA (As Applied) Under The
Dormant Commerce Clause 13

C. MPHJ Has Stated A Claim For Claim III –The Takings Claim..... 15

D. In Connection With The § 1983 Violations Asserted, Including Claim I(F) and
Claim II(E), MPHJ Has Properly Pled As One Alternative Grounds For Relief,
Improper Selective Prosecution 16

II. MPHJ HAS STANDING WITH RESPECT TO THE CHALLENGED CLAIMS 17

A. The Applicable Test For Standing In This Case Is Well-Established..... 17

B. MPHJ Easily Satisfies The Requirement To Demonstrate A “Credible Threat Of
Enforcement” Against Its Activity Protected By The First Amendment, And
Thus Has Standing 18

C. Defendant’s Multitude Of Contentions That MPHJ Has Not Adequately Alleged
Injury Are Wrong 19

1. MPHJ Intends To Continue Enforcing Its Patents In Vermont 20

(a) The *Inter Partes* Review Proceedings Have Not Affected MPHJ’s
Ability To Send Letters In Vermont..... 20

(b) MPHJ’s Intent To Send Future Letters Is Speculative Because
Claim 6 Is Not “Explained” In The Complaint 21

(c) MPHJ Does Not Provide A Timeframe For Sending Letters 22

(d) Agreements MPHJ Has Reached With The FTC And The New
York AG Do Not Affect Its Ability To Send Letters 22

III. MPHJ’S CLAIMS ARE AND RIPE JUSTICIABLE 23

A. MPHJ Has Met The Relaxed Ripeness Constitutional Test..... 24

1. Where MPHJ’s Claims Are For Impairment Of First Amendment Rights,
A “Credible Threat” Against That Activity Establishes Injury 24

2. Defendant’s Threat Of Imminent Suit For The Sending Of The Claim 6
Letters Certainly “Chills” MPHJ’s First Amendment Rights..... 26

B. The Prudential Ripeness Doctrine Is Also Met Here 27

C. MPHJ’s Claims Regarding Validity And Infringement Are Justiciable 28

D. MPHJ’s Claim For Relief Regarding Personal Jurisdiction Is Justiciable 30

E. MPHJ’s Takings Claim Is Ripe And Justiciable 31

IV. THE RARELY INVOKED *YOUNGER* ABSTENTION IS NOT APPROPRIATE 32

A. *Younger* Is Inapplicable To That Portion Of MPHJ’s Suit That Involves Issues Not Part Of The State Action, Including Claims Regarding The BFAPIA, And Claims Regarding MPHJ’s Future Letters, As Their Resolution Could Not Interfere With The State Action 34

B. As To That Portion Of MPHJ’s Suit That Shares Common Subject Matter With The State Action, The Requirements For *Younger* Are Not Met Here..... 36

1. The State Action Is Not Akin To A Criminal Action 37

2. The State Action Is Not Of A Type For Which The Supreme Court Has Previously Extended *Younger* 38

(a) The Courts Have Not Extended *Younger* Where The State Action Seeks To Regulate Patent Enforcement, A Power Over Which The Constitution Allocates Sovereignty To The Federal Government, Not The States – And Thus A Matter In Which There Is Not An Important State Interest..... 38

(b) The Supreme Court Has Left Open The Question Of Whether *Younger* Can Apply To The Situation Here, Where There Is A Facially Conclusive Claim Of Federal Preemption, And This Court Should Decline To Abstain On This Basis As Well..... 42

(c) The Courts Have Never Extended *Younger* To Cause The Federal Plaintiff Irreparable Harm, As It Would Here 42

3. Even If *Younger* Might Otherwise Apply To The Portion Of MPHJ’s Case Challenging The VCPA, Well-Defined Exceptions To *Younger* Apply Here..... 43

(a) The State Action Is Unconstitutional And Was Instigated To Deter Constitutionally Protected Conduct..... 43

(b) Irreparable Harm Would Result From A *Younger* Abstention 44

(c) *Younger* Also Does Not Apply Where, As Here, The BFAPIA Flagrantly Violates Express Constitutional Prohibitions..... 45

C. If This Court Finds Abstention, It Should Choose To Stay This Action 46

V. MPHJ’S FEES CLAIMS ARE NOT BARRED 47

CONCLUSION..... 47

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Abbott Labs. v. Gardner</i> , 387 U.S. 136 (1967).....	24
<i>ACRA Turf Club, LLC v. Zanzuccki</i> , 748 F.3d 127 (3d Cir. 2014).....	37
<i>Activision TV, Inc. & MPHJ Technology Investments, LLC v. Bruning</i> , No. 8:13-cv-215, Doc. 189 at 4-7 (D. Neb. Sept. 2, 2014).....	<i>passim</i>
<i>Activision TV, Inc. v. Bruning</i> , 2014 U.S. Dist. LEXIS 177173 (D. Neb. Dec. 2, 2014).....	3, 7
<i>Activision TV, Inc. v. Pinnacle Bancorp, Inc.</i> , 2014 U.S. Dist. LEXIS 4455 (D. Neb. Jan. 14, 2014).....	42
<i>Advanced Processor Tech., LLC v. Atmel Corp.</i> , 2013 U.S. Dist. LEXIS 43050 (E.D. Tex. Mar. 26, 2013).....	16
<i>Arrival Star, Inc. v. Descartes Sys. Group, Inc.</i> , 2004 U.S. Dist. LEXIS 22433 (S.D.N.Y. Nov. 5, 2004).....	4
<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009).....	8
<i>Astrazeneca AB v. Reddy's Labs., Inc.</i> , 2014 U.S. Dist. LEXIS 41625 (D.N.J. Mar. 28, 2014).....	29
<i>ATSI Commc'ns, Inc. v. Shaar Fund, Ltd.</i> , 493 F.3d 87 (2d Cir. 2007).....	7, 8
<i>Bell Atl. Corp. v. Twombly</i> , 550 U.S. 544 (2007).....	8
<i>Benham v. City of Charlotte</i> , 635 F. 3d 129 (4th Cir. 2011)	26
<i>Briggs v. Ohio Elections Comm'n</i> , 61 F.3d 487 (6th Cir. 1995)	25
<i>Brooks Mfg. Co. v. Dis-Tran Wood Prods., LLC</i> , 2012 U.S. Dist. LEXIS 46518 (W.D. Wash. Mar. 30, 2012)	29

C.R. Bard, Inc. v. Schwartz,
716 F.2d 874 (Fed. Cir. 1983).....29

Carroll v. City of Mount Clemens,
139 F.3d 1072 (6th Cir. 1998)47

Colorado River Water Conservation Dist. v. United States,
424 U.S. 800 (1976).....36

Cooksey v. Futrell,
721 F.3d 226 (4th Cir. 2013)26

Cradle IP, LLC v. Texas Instruments, Inc.,
2013 U.S. Dist. LEXIS 19245 (D. Del. Feb. 13, 2013)16

Cullen v. Fliegner,
18 F.3d 96 (2d Cir. 1994)43, 44

Diamond “D” Constr. Corp. v. McGowan,
282 F.3d 191 (2d Cir. 2002).....43

Dias v. City & County of Denver,
567 F.3d 1169 (10th Cir. 2009)9

Dickerson v. Napolitano,
604 F.3d 732 (2d Cir. 2010).....9

Donovan v. City of Haverhill,
311 F.3d 74 (1st Cir. 2002).....9

Ebiza, Inc. v. City of Davenport,
434 F. Supp. 2d 710 (S.D. Iowa 2006)46

Einhaus v. Fawn Twp.,
2013 U.S. Dist. LEXIS 29774 (M.D. Pa. Mar. 1, 2013).....35

Elam v. City of Aurora,
2012 U.S. Dist. LEXIS 129678 (D. Colo. Sept. 12, 2012).....47

Eng’g & Insp. Servs., LLC v. IntPar, LLC,
2013 U.S. Dist. LEXIS 146849 (E.D. La. Oct. 9, 2013)3, 31

Exxon Mobil Corp. v. Saudi Basic Industries Corp.,
544 U.S. 280 (2005).....32

Farm-To-Consumer Legal Def. Fund v. Sebelius,
734 F. Supp. 2d 668 (N.D. Iowa 2010).....12

<i>Farrell v. Burke</i> , 449 F.3d 470 (2d Cir. 2006).....	10
<i>Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank</i> , 527 U.S. 627 (1999).....	39, 41
<i>Foti Fuels, Inc. v. Kurrle Corp.</i> , 2013 VT 111 (Vt. 2013).....	40
<i>Franco v. District of Columbia</i> , 456 F. Supp. 2d 35 (D.D.C. 2006).....	32
<i>Globetrotter Software, Inc. v. Elan Computer Group, Inc.</i> , 362 F.3d 1367 (Fed. Cir. 2004).....	<i>passim</i>
<i>Gwynedd Properties, Inc. v. Lower Gwynedd Township</i> , 970 F.2d 1195 (3d Cir. 1992).....	34, 36
<i>Harper v. PSC</i> , 396 F.3d 348 (4th Cir. 2005)	39, 40
<i>Hi Tech Trans, LLC v. New Jersey</i> , 382 F.3d 295 (3d Cir. 2004).....	41
<i>Huang v. Johnson</i> , 251 F.3d 65 (2d Cir. 2001).....	47
<i>Huffman v. Pursue, Ltd.</i> , 420 U.S. 592 (1975).....	37, 38, 43
<i>Initiative and Referendum Institute v. Walker</i> , 450 F.3d 1082 (10th Cir. 2006)	26
<i>James v. Hampton</i> , 513 Fed. Appx. 471 (6th Cir. 2013).....	47
<i>Judin v. United States</i> , 110 F.3d 780 (Fed. Cir. 1997).....	<i>passim</i>
<i>Kawecki v. County of Macomb</i> , 367 F. Supp. 2d 1137 (E.D. Mich. 2005).....	46
<i>Korsinsky v. Dudas</i> , 227 Fed. Appx. 891 (Fed. Cir. 2007).....	15
<i>Lefemine v. Wideman</i> , 133 S. Ct. 9 (2012).....	47

<i>Lopez v. Candaele</i> , 630 F.3d 775 (9th Cir. 2010)	24
<i>Marks v. Stinson</i> , 19 F.3d 873 (3d Cir. 1994).....	34, 35, 36
<i>Matthews Int’l Corp. v. Biosafe Eng’g, LLC</i> , 695 F.3d 1322 (Fed. Cir. 2012).....	10, 11, 45
<i>MedImmune, Inc. v. Genentech, Inc.</i> , 549 U.S. 118 (2007).....	26
<i>Meese v. Keene</i> , 481 U.S. 465 (1987).....	27
<i>Michelotti v. United States</i> , 557 Fed. Appx. 956 (Fed. Cir. 2014).....	15
<i>MPHJ Technology Investments, LLC v. FTC</i> , No. 14-cv-011, Doc. No. 83 at 11 (W.D. Tex. Sept. 16, 2014)	2
<i>MyInfoGuard, LLC v. Sorrell</i> , 2012 WL 5469913 (D. Vt. Nov. 9, 2012).....	46
<i>Nadeau v. Charter Township of Clinton</i> , 827 F.Supp. 435	45
<i>Nat’l Org. for Marriage, Inc. v. Walsh</i> , 714 F.3d 682 (2d Cir. 2013).....	24, 25, 27, 28
<i>NCAA v. Corbett</i> , 2014 U.S. Dist. LEXIS 80954 (M.D. Pa. June 12, 2014).....	37, 38
<i>New Mexicans for Bill Richardson v. Gonzales</i> , 64 F.3d 1495 (10th Cir.1995)	24
<i>New Orleans Pub. Serv., Inc. v. Council of New Orleans</i> , 491 U.S. 350 (1989).....	42
<i>Okpalobi v. Foster</i> , 190 F.3d 337 (5th Cir. 1999)	9
<i>Orazio v. Town of North Hempstead</i> , 426 F.Supp. 1144 (E.D.N.Y.1977)	45
<i>Phelps v. Hamilton</i> , 59 F.3d 1058 (10th Cir. 1995)	43

Philip Morris, Inc. v. Blumenthal,
123 F.3d 103 (2d Cir. 1997).....39

Pierre v. Holder,
738 F.3d 39 (2d Cir. 2013).....17

Prof'l Real Estate Investors v. Columbia Pictures Indus.,
508 U.S. 49 (1993).....11

Quackenbush v. Allstate Ins. Co.,
517 U.S. 706 (1996).....47

Russo v. City of Hartford,
158 F. Supp. 2d 214 (D. Conn. 2001).....36

S.C. Citizens for Life, Inc. v. Krawcheck,
301 Fed. Appx. 218 (4th Cir. 2008).....25

Semiconductor Energy Lab Co. v. Nagata,
706 F.3d 1365 (Fed. Cir. 2013).....29

Shields v. Babbitt,
229 F. Supp. 2d 638 (W.D. Tex. 2000).....25

Sira v. Morton,
380 F.3d 57 (2d Cir. 2004).....8

Southview Assocs., Ltd. v. Bongartz,
980 F.2d 84 (2d Cir. 1992).....32

Sprint Communs., Inc. v. Jacobs,
134 S. Ct. 584 (2013)..... *passim*

State Contr. & Eng'g Corp. v. Condotte Am., Inc.,
346 F.3d 1057 (Fed. Cir. 2003).....27

Steffel v. Thompson,
415 U.S. 452 (1974).....26

Susan B. Anthony List v. Driehaus,
134 S. Ct. 2334 (2014).....17, 18, 19, 23

Taylor v. Vt. Dep't of Educ.,
313 F.3d 768 (2d Cir. 2002).....8

Tolbert v. City of Memphis,
568 F. Supp. 1285 (W.D. Tenn. 1983).....45

United States v. Farhane,
634 F.3d 127 (2d Cir. 2011).....9

United States v. Hohri,
482 U.S. 64 (1987).....39

Va. Soc’y for Human Life, Inc. v. FEC,
263 F.3d 379 (4th Cir. 2001)25

Vermont Right to Life Comm. v. Sorrell,
19 F. Supp. 2d 204 (D. Vt.1998).....17, 29

Vermont v. MPHJ Technology Investments, LLC,
2014 U.S. Dist. LEXIS 52132 (D. Vt. Apr. 14, 2014).....2, 6, 44

VIP of Berlin, LLC v. Town of Berlin,
593 F.3d 179 (2d Cir. 2010).....10

Virginia v. American Booksellers Ass’n, Inc.,
484 U.S. 383 (1988).....25

Voting for Am., Inc. v. Steen,
732 F.3d 382 (5th Cir. 2013)9

Vt. Right to Life Comm. v. Sorrell,
221 F.3d 376 (2d Cir. 2000).....17, 24, 29

Wash. State Grange v. Wash. State Republican Party,
552 U.S. 442 (2008).....9

Wiener v. County of San Diego,
23 F.3d 263 (9th Cir. 1994)35

Younger v. Harris,
401 U.S. 37 (1971)..... *passim*

Statutes

9 V.S.A. § 4197(b).....45, 46

9 V.S.A. § 4197(c)16, 46

9 V.S.A. § 4198.....27

9 V.S.A. § 4199.....14

13 V.S.A. § 2005.....37

35 U.S.C. § 286.....27

42 U.S.C. § 1983..... *passim*
42 U.S.C. § 1988.....7, 47
Patent Infringement Act, 9 V.S.A. § 41972
Title 35 of the U.S. Code12

Other Authorities

First Amendment *passim*
Fifth Amendment7
Fourteenth Amendment3, 16, 31
FED. R. CIV. P. 8.....8, 15, 44
Fed.R.Civ. P. 12..... *passim*
U.S. Const., Art. 1, Sec. 8, Cl. 839
U.S. Constitution.....41

Plaintiff MPHJ Technology Investments, LLC (“MPHJ”) respectfully submits this Opposition to Defendant William Sorrell’s (“Defendant”) Motion to Dismiss.

INTRODUCTION

As this Court is aware, MPHJ is an owner of certain U.S. patents, which it previously sought to enforce in Vermont. Subsequently, the validity of most of those patents was challenged by the world’s leading scanner manufacturers in *Inter Partes Review*, a new proceeding that has proven to be very hostile to patents, resulting in the invalidation of about 80% of the challenged patents. MPHJ suspended enforcement of its patents in Vermont pending that review. Recently, however, MPHJ was successful in the first review process which covered two of MPHJ’s patents (review of two more patents is pending). One claim in each patent was reaffirmed as being valid. One of those claims, Claim 6 of U.S. Patent No. 7,986,426 (the ‘426 Patent”), is reasonably believed by MPHJ to be infringed by many businesses in Vermont, and MPHJ is entitled to seek redress for that infringement.

The difficulty is that enforcement of Claim 6 requires sending pre-suit infringement inquiry correspondence which are or can be alleged to violate Vermont state statutes, and of which MPHJ is the subject of a credible threat of suit by Defendant. As MPHJ has previously explained to this Court, MPHJ’s patents are rare in that they cover common networked scanning systems, but do so in a way that the manufacturers of components of the systems (servers, scanners, desktops, etc....) do not have liability for infringement. Only the end-user is clearly an infringer. The second, more difficult problem with MPHJ’s patents, is that infringement by any particular company can be reasonably suspected, but not confirmed, from publicly available information. Thus MPHJ’s patents are “*Judin*-type” patents, meaning that under the Federal Circuit law of *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997), MPHJ may not file suit for infringement against a suspected infringer without first making inquiry regarding the suspected infringement. Thus, in MPHJ’s unusual situation, it may only enforce its patents against end-users, and it cannot enforce its patents against suspected infringement without having to send a pre-suit communication inquiring about the suspected infringement. *See No.*

2:13-cv-170, Doc. 18 at 1-4.

MPHJ is chilled from sending such communications, even though doing so is protected by the First Amendment, by the assertions of state law made by Defendant against MPHJ if it sends such communications. Defendant contends that he will bring suit against a patent owner like MPHJ (a non-practicing entity) for sending communications related to its patents without first having proof of the infringement in-hand.¹ Further, Defendant contends he will bring suit for sending patent-related communications to any company who cannot afford patent counsel (as to which companies fit this latter category that is something apparently decided on the subjective assessment of Defendant). The two state statutes Defendant threatens to assert are the Vermont Consumer Protection Act (“VCPA”) and the Vermont Bad Faith Assertions of Patent Infringement Act (“BFAPIA”), 9 V.S.A. § 4197.

The credible threat posed by Defendant to MPHJ’s intent to enforce Claim 6 violates MPHJ’s constitutional rights in several respects. First, it is clear, as this Court has found, that MPHJ’s sending of patent enforcement communications is protected by the First Amendment, as established by cases such as *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004). *See* No. 2:13-cv-170, Doc. 50 at 9-14. *See Vermont v. MPHJ Technology Investments, LLC*, 2014 U.S. Dist. LEXIS 52132, at *25 & n.5 (D. Vt. Apr. 14, 2014) (citing *Globetrotter*).²

Globetrotter requires that no state law (or federal law) may be asserted against a patent owner for sending patent-related communications unless it is both pled and proven that the conduct is in “bad faith” – where *Globetrotter* specifically defines “bad faith” as requiring proof

¹ *See, e.g.*, No. 2:13-cv-170, Doc. 38 at 17 n.12 (citing State and Defendant’s numerous assertions that they will not address invalidity or noninfringement).

² Indeed, including this Court, **three different federal district courts have reached the same exact conclusion – that *Globetrotter* applies to MPHJ’s conduct**, and that neither state nor federal law can be asserted against MPHJ’s sending of patent infringement inquiry letters unless it is both pled and proven that the conduct was objectively and subjectively baseless. *See MPHJ Technology Investments, LLC v. FTC*, No. 14-cv-011, Doc. No. 83 at 11 (W.D. Tex. Sept. 16, 2014); *Activision TV, Inc. & MPHJ Technology Investments, LLC v. Bruning*, slip op. at 4-7 (D. Neb. Sept. 2, 2014).

that the conduct is objectively and subjectively baseless. *Globetrotter*, 362 F.3d at 1374-76. Defendant has made it clear that despite this Court's ruling, Defendant considers making him adhere to the First Amendment requirements, as defined by *Globetrotter*, to be both "illogical" and "irrelevant." *See* No. 14-cv-137, Doc. 10-1 at 27 (Fed. Cir. June 9, 2014).

MPHJ brings several claims, and seeks several forms of relief. Each must be considered on its own, in the context of Defendant's Motion to Dismiss. One set of claims (Count I) seeks relief necessary to remove the credible threat against MPHJ's exercise of its First Amendment rights in the sending of future infringement inquiry letters related to Claim 6, such as that provided as an Example in Exhibit F to the First Amended Complaint. *See* Doc. 18-13. The relief sought by Count I raises issues not involved in the State Action,³ and a ruling in MPHJ's favor on Count I claims will not interfere with the State Action involving prior letters.⁴ A second set of claims (Count II) seeks relief from the ongoing violation of MPHJ's First Amendment rights by Defendant in connection with the ongoing State Action. The relief requested by MPHJ as to Count II claims may, in some respects, relate to issues in the ongoing State Action, but for reasons explained below, these claims can and should be heard now by this Court, and Defendant's request that the Court abstain from hearing the claims under Count II should be denied. It should be noted that Count II stands distinct from Count I on both legal and factual

³ Count I seeks to have certain Vermont state statutes declared unconstitutional – facially or as-applied, and further seeks, under 42 U.S.C. § 1983, injunctive relief against future unlawful conduct by Defendant in inhibiting and unconstitutionally interfering with MPHJ's sending of infringement inquiry correspondence. Indeed, here again on this point, a federal court has already awarded MPHJ this relief, permanently enjoining the Nebraska AG from engaging in the very conduct being pursued now by the Vermont AG. *See Activision TV, Inc. & MPHJ Technology Investments, LLC v. Bruning*, slip op. at 4-7 (D. Neb. Sept. 2, 2014); *Activision TV, Inc. v. Bruning*, 2014 U.S. Dist. LEXIS 177173, at *2 (D. Neb. Dec. 2, 2014) (ordering the Nebraska Attorney General to pay MPHJ's fees and costs).

⁴ In addition, during this period, the Vermont Long Arm Statute has been construed to permit the exercise of personal jurisdiction over patent owners such as MPHJ for the mere sending of a patent infringement inquiry letter. As such, the statute violates the Fourteenth Amendment Due Process clause. Indeed, on this issue also, a federal court has already found in MPHJ's favor that subjecting MPHJ to personal jurisdiction in a state solely on the basis of having sent MPHJ's infringement inquiry letters violates the Fourteenth Amendment Due Process clause. *Eng'g & Insp. Servs., LLC v. IntPar, LLC*, 2013 U.S. Dist. LEXIS 146849, at *9-15 (E.D. La. Oct. 9, 2013). Here, MPHJ simply seeks to have the Fourteenth Amendment enforced in Vermont as it is enforced in the other forty-nine states.

issues, and primarily is distinguished in that Count I seeks relief related to MPHJ's intended future conduct with future letters, whereas Count II relates to MPHJ's prior letters, and Defendant's conduct related to those letters. Finally, in Count III, MPHJ presents a takings claim based upon Defendant's unlawful conduct, and that claim is independent of the State Action.

Defendant's Motion to Dismiss seeks to have some, but not all, of MPHJ's claims under both Counts I and II dismissed under Rule 12(b)(6) for failure to state a claim. *See* Docs. 13 & 19. The Motion to Dismiss also seeks to have some, but not all, of MPHJ's claims dismissed for lack of standing and ripeness. *See id.* Finally, Defendant seeks to have all of MPHJ's claims, both in Counts I and Count II, not heard by this Court under the *Younger* abstention doctrine. *See id.* However, as MPHJ will show below, it has stated claims for relief, it has standing and ripeness to bring those claims, and the *Younger* doctrine has no relevance to Count I, which addresses future letters and future conduct not part of any underlying State Action. Count II includes the only claims to which *Younger* abstention could have relevance, and MPHJ will show below that the requirements for *Younger* abstention are not met with respect to Count II, and that even if they were, well-established exceptions apply to decline abstention. Finally, it should be noted that MPHJ in Count III has stated a takings claim, and Defendant's Motion to Dismiss as to that claim will also be addressed below.

BACKGROUND

This Court is familiar with the general facts in this case. MPHJ is the owner of several patents on networked scanner technology that are unusual in that they are widely infringed, only the end-user and no specific manufacturer is liable for the infringement, and infringement can be reasonably suspected, but not confirmed, from publicly available information. *See, e.g.,* No. 2:13-cv-170, Doc. 18 at 1-4. In these circumstances, MPHJ, before bringing suit for infringement, is required to make inquiry of the suspected infringer regarding the infringement. *See id.; Arrival Star, Inc. v. Descartes Sys. Group, Inc.*, 2004 U.S. Dist. LEXIS 22433, at *36 (S.D.N.Y. Nov. 5, 2004); *Judin*, 110 F.3d at 784.

MPHJ first sought to enforce its valid patents in Vermont in the end of 2012 and the beginning of 2013. While MPHJ was corresponding with Vermont companies regarding its patent rights, and the companies' infringement of those rights, Defendant has admitted he was working behind the scenes with Vermont business powerhouses, who did not like the prospect of having to pay for a license for valid patents they were infringing, to specifically prevent MPHJ (and non-practicing entities like MPHJ), from enforcing their patents in Vermont.⁵ In fact, one of those businesses identified by Defendant, hired a law firm and strategized to determine which "legislative, regulatory or judicial steps that Vermont [could] take to discourage patent trolls from pursuing Vermont-based businesses." *See* Manitsky Decl., Exh. 1. A detailed memorandum was then circulated, explaining the ways in which Vermont could solve the "patent troll" problem. *See id.* It was suggested there that Vermont file suit under the VCPA against a troll, and also that Defendant, through his rulemaking authority or through legislative process, work on getting a new anti-troll law passed in Vermont. *Id.* As a result, after sending MPHJ a Civil Investigative Demand, Defendant then began working on getting what is now the BFAPIA passed, and filing suit against MPHJ in state court. *See* Manitsky Decl., Exh. 2.

Oddly, though the thorough memorandum being circulated recognized federal preemption law, including the objective and subjective baselessness standard set forth in *Globetrotter*, and asserted that "any legal action against a patent troll based on its activities must adequately allege (and subsequently prove) bad faith," Defendant, in order to evade preemption and federal court review, admittedly excluded this required pleading from his state-filed complaint. *See* Manitsky Decl., Exh. 2 & Exh. 1 ("if you take a look at the complaint we filed, we tried religiously to avoid saying anything about whether MPHJ does, in fact, have patents, or

⁵ *See* Declaration of Andrew Manitsky ("Manitsky Decl."), Exh. 2 (explaining that in spring of 2012, "[a] group of tech-savvy Vermont companies [including MyWebGrocer]...asked the Vermont secretary of commerce and me if we would attend a meeting with them. And we did. We talked about patent trolls and how they [the Vermont companies] were being victimized and paying large amounts of money to lawyers to fend off patent infringement claims that were being made against them. And basically they asked if it was possible for Vermont to take action to make Vermont a less friendly environment for patent trolls. And I said, 'Well, patents are creatures of federal statute, but we'll take a look.'").

what those patents control”). Throughout the State Action and this action, Defendant has reiterated his point of view, and has expressly disclaimed any pleading or proof of objective and subjective baselessness – even after this Court made it the law of the case that Defendant, prior to bringing his state law claims against MPHJ, must plead and proof objective and subjective baselessness. *See Vermont v. MPHJ Technology Investments, LLC*, 2014 U.S. Dist. LEXIS 52132, at *25 & n.5 (D. Vt. Apr. 14, 2014). As a result, Defendant’s state court case cannot succeed.⁶

The USPTO recently reaffirmed that at least one claim, Claim 6, of the ’426 Patent owned by MPHJ is valid. Exh. A.⁷ It made this reaffirmation in light of all the prior art presented by big name scanning and printing companies such as Ricoh and Xerox. *Id.* The USPTO then denied Ricoh and Xerox’s Motion for Reconsideration of the Office’s Validity Order on Claim 6. Exh. C. With its time limited assets expiring, MPHJ wishes to resume enforcing its patents against Vermont businesses who are infringing with impunity. MPHJ has the constitutional right to continue its enforcement efforts.

By this suit, MPHJ merely asks that the Court confirm that constitutional right, and declare that any effort by Defendant to bring another suit against MPHJ for the sending of patent infringement inquiry correspondence under the VCPA or the BFAPIA is unconstitutional in light of the fact that the AG refuses to plead or prove that MPHJ’s patent enforcement efforts are objectively or subjectively baseless, and that any state law that permits MPHJ to be subjected to suit in Vermont for violation of Vermont state law by sending patent communications, without requiring as a predicate proof of objective and subjective baselessness, is unconstitutional.⁸

⁶ This Court found that the newly passed BFAPIA is not part of the state court complaint because MPHJ’s correspondence that is at issue in that case was completed prior to the passage of the new Act. *See* No. 2:14-cv-192, Doc. 33.

⁷ The Patent Office also affirmed the validity of Claim 13 of the ’381 Patent. Exh. B.

⁸ The Nebraska District Court already has found that the AG there also unconstitutionally interfered with MPHJ’s patent enforcement efforts. *See Activision TV, Inc. & MPHJ Technology Investments, LLC v. Bruning*, No. 8:13-cv-215, Doc. 189 at 4-7 (D. Neb. Sept. 2, 2014). The court went a step further, and held that in light of all the evidence presented by MPHJ (Exhs. D – D-5), it was clear that its patent enforcement efforts were neither objectively baseless nor subjectively baseless. The court entered judgment in MPHJ’s favor, including ordering a

ARGUMENT

The Court can see that MPHJ's First Amended Complaint is divided largely into three Counts. Count I contains Claims (A through F) related to MPHJ's intent to send new patent infringement inquiry letters, such as the example of the post-IPR letter described in the Amended Complaint. Doc. 18 at Counts I-A – I-F. Count II contains Claims (A through E) related to the unconstitutionality of Defendant enforcing the VCPA against MPHJ's prior letters and seeking enforced compliance with the BFAPIA. Doc. 18 at Counts II-A – II-E. Finally, Count III states a Takings Claim under the Fifth Amendment and seeks compensation for the unlawful taking of MPHJ's patent property rights by Defendant. Doc. 18 at Count III.

Defendant's Motion to Dismiss seeks dismissal of certain claims under Rule 12(b)(6), and certain claims on standing/ripeness grounds. The only claims challenged under Rule 12(b)(6) are Count I (A & D); Count II (A); and Count III.⁹ The only claims that are challenged for standing/ripeness are Count I (A, C-F); Count II (A) and Count III. Finally, Defendant asserts that MPHJ's request for fees under § 1988 for the § 1983 claims, Claims I(F) and Claim II(E), is barred. Defendant does not challenge the following claims under Rule 12(b)(6) or on standing/ripeness grounds: Count I (B) and Count II (B, C, D & E).

Defendant also argues that all of MPHJ's claims, Count I, Count II and Count III, are subject to the *Younger* abstention doctrine. But MPHJ shows below that the *Younger* doctrine is entirely irrelevant to the Count I claims, and to Count III, and that as to the Count II claims, the requirements for applying *Younger* are not met, and even if they were, well-established exceptions apply. MPHJ also shows that its claims for fees under § 1983 are properly pled.

I. MPHJ HAS STATED CLAIMS FOR RELIEF THAT SATISFY RULE 12(b)(6)

To survive a motion to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, a complaint must “provide the grounds upon which [the] claim rests.” *ATSI*

permanent injunction and an award of fees and costs. *See Activision TV, Inc. v. Bruning*, 2014 U.S. Dist. LEXIS 177173 (D. Neb. Dec. 2, 2014).

⁹ Additionally, Defendant takes issue with one alternative ground (selective prosecution) cited by MPHJ as a basis for its § 1983 claim (Count I(F) and Count II(E)), but does not seek dismissal of the § 1983 claim in its entirety on the basis of Rule 12(b)(6).

Commc'ns, Inc. v. Shaar Fund, Ltd., 493 F.3d 87, 98 (2d Cir. 2007). The plaintiff must allege “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). “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*, 556 U.S. 662, 678 (2009). In reviewing a Rule 12(b)(6) motion, a court must accept as true all factual allegations in the complaint¹⁰ and draw all reasonable inferences in favor of the plaintiff. *ATSI Commc'ns*, 493 F.3d at 98.¹¹ As explained below, MPHJ has met its burden in showing that dismissal under Rule 12(b)(6) is inappropriate.

A. MPHJ Has Stated A Claim For Relief In Connection With Claim I(A) – Unconstitutionality Of The BFAPIA

In Count I(A), MPHJ makes a claim seeking a declaratory judgment that the Vermont BFAPIA is unconstitutional facially, and/or as-applied to MPHJ's sending of future letters. Defendant contends this Claim I(A) fails to satisfy Rule 12(b)(6) on grounds that: (1) MPHJ's facial challenge to the Act fails to allege that the Act is incapable of being construed constitutionally; and (2) MPHJ has not alleged that the Act has been applied to it, nor has MPHJ alleged facts necessary to state a claim for an as-applied challenge to the Act.

1. MPHJ Has Stated A Claim For Its Facial Challenge To The BFAPIA

In arguing that MPHJ's claim that the BFAPIA is facially unconstitutional, Defendant cites the wrong test for pleading facial unconstitutionality. There are two, and he ignores the test applicable here. When bringing a facial vagueness challenge under the First Amendment, like MPHJ does here, the test is not the “invalid under all applications test” that Defendant presents.

¹⁰ On a motion to dismiss, the Court may consider, in addition to the complaint, “any written instrument attached to it as an exhibit, materials incorporated in it by reference, and documents that, although not incorporated by reference, are integral to the complaint.” *Sira v. Morton*, 380 F.3d 57, 67 (2d Cir. 2004); *Taylor v. Vt. Dep't of Educ.*, 313 F.3d 768, 776 (2d Cir. 2002).

¹¹ As an initial matter, many of the arguments made by Defendant in favor of dismissal completely ignore the pleading standards set forth by the Supreme Court and the federal rules. *See, e.g.*, FED. R. CIV. P. 8. At this stage MPHJ does not have to provide “clear evidence” of anything, only a short and plain statement of the grounds upon which its claims rest. Should Defendant require further information, he may either seek that information in discovery, or if appropriate, by filing a Motion for a More Definite Statement under Rule 51.

Instead, because a vague law is especially problematic, the standard of a court’s review is more stringent when, like here, “the uncertainty induced by the statute threatens to inhibit the exercise of constitutionally protected rights.” *Okpalobi v. Foster*, 190 F.3d 337, 358 (5th Cir. 1999) citing *Colautti v. Franklin*, 439 U.S. 379, 391 (1979). Therefore, “[a] vague law that chills the exercise of a constitutional right will succumb to a facial challenge ‘even when [the law] could have had some legitimate application.’” *Id.* citing *Kolender v. Lawson*, 461 U.S. 352, 359 n.8 (1979) (where “the Supreme Court specifically rejected the contention that a statute should not be held unconstitutionally vague on its face unless it is vague in all its applications”). Rather, such laws impeding on First Amendment constitutionally protected rights can be invalidated on vagueness grounds because of the potential chilling effect of the law. *See id.* citing *Colautti*, 439 U.S. at 391. *See also Dias v. City & County of Denver*, 567 F.3d 1169, 1179 (10th Cir. 2009) (“Facial challenges are appropriate in two circumstances: (1) when a statute threatens to chill constitutionally protected conduct (particularly under the First Amendment); **or** (2) when a plaintiff seeks pre-enforcement review of a statute because it is incapable of a valid application.”) (emph. added). The Second Circuit has recognized this, holding that **only** if the challenged statute **does not** implicate constitutionally protected conduct, must the plaintiff, to sustain a facial vagueness challenge, show that the statute is unconstitutional in all applications. *See, e.g., United States v. Farhane*, 634 F.3d 127, 139 (2d Cir. 2011). *See also Donovan v. City of Haverhill*, 311 F.3d 74, 77 (1st Cir. 2002) (similar).¹²

Here, MPHJ has undoubtedly alleged that the BFAPIA not only threatens to chill, but has chilled, its constitutionally protected First Amendment patent enforcement efforts.¹³ Further,

¹² The cases cited by Defendant supporting his test do not proscribe constitutionally protected conduct, as the BFAPIA does here. *See Wash. State Grange v. Wash. State Republican Party*, 552 U.S. 442, 444 (2008) (the Act did not impose a burden on parties’ First Amendment rights); *Dickerson v. Napolitano*, 604 F.3d 732, 738-42 (2d Cir. 2010) (facial challenge failed because no constitutionally-protected right was implicated and the plaintiffs’ claim was not characterized as a First Amendment challenge). In fact, *Steen* makes it clear that the “invalid under all of its applications” test is not the test here. *See Voting for Am., Inc. v. Steen*, 732 F.3d 382, 387 (5th Cir. 2013) (“**With the exception of First Amendment cases**, a facial challenge will succeed only if the plaintiff establishes that the act is invalid under all of its applications”) (emph. added).

¹³ *See, e.g., Doc. 18* at ¶¶ 9, 13, 18-20, 110-111, 116, 140, 146, 171, 182, 218.

MPHJ has adequately alleged a facial vagueness challenge, in that the Act affords too much discretion to the state court, such that it fails to reasonably put a patent owner on notice of what conduct might be considered to violate the Act in the exercise of its First Amendment rights.¹⁴ *See, e.g.*, Doc. 18 at ¶ 110. As such, MPHJ has stated a claim that the BFAPIA is unconstitutionally vague, and Defendant fails to argue that MPHJ did not do so.

For completeness, MPHJ notes that even if one were to improperly apply the test cited by Defendant, MPHJ's allegations against the BFAPIA meet that test. MPHJ plainly has alleged that the Act is facially unconstitutional because it allows liability to attach to patent owners without any predicate requirement that the plaintiff plead or prove that the conduct at issue was both objectively and subjectively baseless pursuant to *Globetrotter*. *See, e.g.*, Doc. 18 at 128.¹⁵ By this, MPHJ alleges that the Act is unconstitutional in every application, because the prerequisite finding required by federal law to avoid preemption is entirely excluded from the statute. And, contrary to Defendant's assertions, MPHJ certainly does not "admit that at least one application of the statute would not be unconstitutional." Doc. 13-1 at 20. Defendant claims that because the statute permits a state court, when evaluating liability under the statute to consider some generic version of bad faith, that the statute is constitutional in some applications. But Defendant misses the point. The Act is unconstitutional in every application because the *Globetrotter* objective and subjective baselessness standard must be applied before liability under the statute can even be considered. *Globetrotter*, 362 F.3d at 1374-77. The BFAPIA

¹⁴ "[T]he void-for-vagueness doctrine requires that laws be crafted with sufficient clarity to give the person of ordinary intelligence a reasonable opportunity to know what is prohibited and to provide explicit standards for those who apply them. A statute can be impermissibly vague for either of two independent reasons. First, if it fails to provide people of ordinary intelligence a reasonable opportunity to understand what conduct it prohibits. Second, if it authorizes or even encourages arbitrary and discriminatory enforcement." *VIP of Berlin, LLC v. Town of Berlin*, 593 F.3d 179, 186-87 (2d Cir. 2010). *See also Farrell v. Burke*, 449 F.3d 470, 485 (2d Cir. 2006) ("Vagueness in the law is particularly troubling when First Amendment rights are involved," and as a result, "[w]here a statute's literal scope, unaided by a narrowing state court interpretation, is capable of reaching expression sheltered by the First Amendment, the doctrine demands a greater degree of specificity than in other contexts").

¹⁵ *See also Matthews Int'l Corp. v. Biosafe Eng'g, LLC*, 695 F.3d 1322, 1332 (Fed. Cir. 2012) (affirming dismissal because the plaintiff failed to sufficiently plead bad faith necessary to avoid *Noerr-Pennington* immunity, because the plaintiff had only conclusorily pled bad faith).

ignores this required prerequisite step. Therefore, it does not matter whether a state court could look to the baselessness standard, or consider it one factor among many, “when evaluating whether an assertion of patent infringement was meritless” to hold a patentee liable under the statute. The Court cannot constitutionally get to the evaluating step of whether a patentee violated the statute without first finding that the application of the statute in the first place is not preempted. *See Globetrotter*, 362 F.3d at 1374-77; *Matthews Int’l Corp.*, 695 F.3d at 1332. *See also Prof’l Real Estate Investors v. Columbia Pictures Indus.*, 508 U.S. 49, 57 (1993). It is the lack of this principal preemption analysis that makes the BFAPIA unconstitutional in all applications. So as long as the Act is applied in the first instance without any prerequisite finding of baselessness, it is unconstitutional in every respect.

2. MPHJ Has Stated An As-Applied Challenge To The BFAPIA Claim

Defendant asserts that MPHJ failed to allege specific facts necessary to evaluate an as-applied challenge to the BFAPIA. Doc. 13-1 at 17. But here, Defendant confuses Rule 12(b)(6) considerations with issues of standing and ripeness. MPHJ refutes those issues below.

Defendant asserts that an as-applied challenge arises when the factual context of the challenge is clear to illustrate the context in which the statute will be applied. Doc. 13-1 at 18. But here MPHJ plainly has met that burden. MPHJ has pled that it is reasonably apprehensive that the BFAPIA will be asserted by Defendant against MPHJ’s sending of future letters such as that provided as Exhibit F to the Amended Complaint. *See, e.g.,* Doc. 18 at ¶¶ 9, 117, 128-141. MPHJ has pled that it is reasonably apprehensive that Defendant will make that assertion with utter disregard for whether the conduct is objectively and subjectively baseless, and that the BFAPIA does not establish any requirement that he plead or prove baselessness as part of asserting the Act. *Id.* at ¶¶ 128-141, 163, 213-214.

MPHJ has undoubtedly pled sufficient facts in its First Amended Complaint to make it clear that it is reasonably apprehensive that the BFAPIA will be applied to it unconstitutionally for the sending of the letters, such as that identified in Exhibit F of the Amended Complaint. MPHJ pled that the BFAPIA permits liability to attach to patent owners, without the requirement

that the plaintiff plead and prove objective and subjective baselessness as explained in Globetrotter. See Doc. 18 at ¶ 128. MPHJ has also pled that the Act provides that owners of U.S. patents be treated differently on the basis of whether they are a university, an inventor, or a non-practicing entity, all distinctions which are not recognized and inconsistent with Title 35 of the U.S. Code. Doc. 18 at ¶ 131. MPHJ also alleges that the Act was passed because of the previous patent enforcement efforts of MPHJ, and that it is reasonable to believe Defendant will assert the Act against MPHJ's future patent enforcement activity, among other allegations. See Doc. 18 at ¶¶ 132-141. Indeed, Defendant has repeatedly told this Court that the reason he did not previously assert the BFAPIA against MPHJ was not because it is unconstitutional, or that it did not apply to MPHJ's activity, but instead only because it had not yet been enacted at the time of MPHJ's prior letters. See, e.g., No. 2:14-cv-192, Doc. 22-1 at 5-7. Merely reviewing the pleadings in the First Amended Complaint makes MPHJ's as-applied challenge to the statute clear as to how the statute will be applied to it, and that as applied, the statute is unconstitutional.¹⁶

As held by this Court, plainly Defendant could not have yet applied the BFAPIA to MPHJ's patent enforcement activities to date, as MPHJ has not sent any new letters since the Act was passed.¹⁷ But this does not prevent MPHJ from seeking a declaratory judgment that the application of the Act to its future intended activities would be unconstitutional. Here, as explained, MPHJ has alleged a credible threat of suit and a chilling effect on MPHJ's patent enforcement activities as a result. Many courts have found that this is sufficient to bring a declaratory judgment action for an as-applied challenge to a statute. *See, e.g., Farm-To-Consumer Legal Def. Fund v. Sebelius*, 734 F. Supp. 2d 668, 687 (N.D. Iowa 2010) citing *Morrison v. Board of Educ. of Boyd County*, 521 F.3d 602, 610 (6th Cir. 2008) (a plaintiff

¹⁶ Even the authority cited by Defendant, *GeorgiaCarry.Org, Inc. v. Georgia*, 687 F.3d 1244, 1255 n.20 (11th Cir. 2012) recognizes that an as applied challenge arises when the factual context is clear that there is no question how the statute will be applied. Here that is the case.

¹⁷ MPHJ disagrees, but this Court found in its Order remanding the State Action in finding that the State Action does not seek relief under the new Act. No. 2:14-cv-192, Doc. 33, *passim*.

asserting a pre-enforcement as applied challenge need only demonstrate that a credible threat of an injury exists, and may do so by showing (1) that the plaintiff was threatened with prosecution; (2) prosecution is likely; or (3) there is a credible threat of prosecution).

There is no question regarding how the BFAPIA will be applied to MPHJ's future patent enforcement correspondence. In fact, Defendant has admitted that the statute was passed to be applied to the patent infringement inquiry communications that MPHJ must send to enforce its patents. Manitsky Decl., Exh. 2. In short, MPHJ has more than adequately pled an "as applied" challenge to the BFAPIA. That it has standing and ripeness to make that claim is set forth below.

B. MPHJ Has Stated A Claim For Relief In Connection With Claim I(D) – Unconstitutionality Of The BFAPIA And The VCPA (As Applied) Under The Dormant Commerce Clause

In Claim I(D), MPHJ alleges that the BFAPIA and the VCPA are unconstitutional under the Dormant Commerce Clause. Defendant contends this Claim fails because: (a) MPHJ has not alleged that the BFAPIA or the VCPA discriminate between in-state and out-of-state commerce, and, in the alternative (b) MPHJ has not alleged that either law places a burden on interstate commerce that is excessive in relation to local benefits. But merely reading the First Amended Complaint demonstrates that Defendant is wrong in both regards.

MPHJ has alleged both that the Vermont laws "shield Vermont businesses from patent infringement claims more favorably than out of state businesses, and unlawfully discriminates against patent owners seeking to enforce their patents against Vermont infringing businesses." Doc. 18 at ¶¶ 156-57.¹⁸ Thus, it is clear that MPHJ has alleged that the Vermont laws unlawfully discriminate between in-state and out-of-state commerce.

Further, though not necessary, the test laid out by Defendant in his own Motion to Dismiss regarding (b) above is met as well. *See* Doc. 19-1 at 18 citing *United Haulers Ass'n v. Oneida-Herkimer Solid Waste Mgmt. Auth.*, 438 F.3d 150, 156-57 (2d Cir. 2006) (burden on interstate commerce may be shown (1) when the regulation has a disparate impact on any non-

¹⁸ *See also* Doc. 18 at ¶ 188.

local commercial entity; (2) when the statute regulates commercial activity that takes place beyond Vermont's borders; and (3) when the statute imposes a regulatory requirement inconsistent with those of other states). MPHJ has alleged that the Vermont laws here favor certain Vermont businesses and allow them to infringe with impunity. This obviously causes a disparate impact upon businesses outside of Vermont who do not have the same immunity.

Indeed, this disparate impact is easy to show. Recall that MPHJ's patents are in the unusual class of patents that require pre-suit infringement inquiry under *Judin*, 110 F.3d at 784. For shorthand reference, these may be referred to as *Judin* patents. Defendant argues the VCPA entirely precludes the enforcement of *Judin* patents in Vermont, because he contends the VCPA bars sending suspected infringers any correspondence without having first in-hand proof of their infringement. *See* No. 2:14-cv-192, Doc. 7 at ¶¶ 56-57. The BFAPIA also is expressly written for the purpose of barring such communications. *See* 9 V.S.A. § 4199. Moreover, Defendant contends the VCPA entirely bars assertion of *Judin* patents against an undefined class of infringers that cannot afford a patent counsel. *See* No. 2:14-cv-192, Doc. 7 at ¶¶ 56-57.

By barring the enforcement of *Judin* patents in Vermont, Vermont law imposes a disparate impact on companies outside of Vermont, who must either compete while not being able to infringe *Judin* patents, or must take licenses for infringement. Further, by providing immunity for infringement from *Judin* patents for companies too small to afford counsel, Vermont similarly has a disparate impact on non-local businesses that do not have such immunity. Thus, though not necessary, MPHJ has alleged both that the laws are discriminatory and that they place an excessive burden on interstate commerce in favor of Vermont businesses.

The remaining arguments cited by Defendant related to Claim I(D) do not argue that it fails to state a claim, but instead that MPHJ will not ultimately succeed on the claim.¹⁹ *See* Doc. 19-1 at 20 ("By failing to *demonstrate* any disparate impact, extraterritorial reach or conflict with other laws, MPHJ has not pled a burden necessary to support its Dormant Commerce Clause

¹⁹ Further, as explained, many of the arguments made by Defendant properly call for a Motion for a More Definite Statement, rather than dismissal of MPHJ's claims altogether.

claim”) (emph. added). Defendant attempts to impose a higher pleading burden upon MPHJ than that set forth in the federal rules. FED. R. CIV. P. 8. MPHJ does not have to “demonstrate” anything. It has made an adequate pleading, which is all that is required.

C. MPHJ Has Stated A Claim For Claim III –The Takings Claim

Defendant also asserts that MPHJ’s takings claim fails to state a claim, but fails to provide any reasoning for the assertion.²⁰ Doc. 19-1 at 21. The authority cited by Defendant as evidence that courts have rejected regulatory takings claims related to patents simply have no relevance to this case. *See Michelotti v. United States*, 557 Fed. Appx. 956, 962 (Fed. Cir. 2014) (patentee failed to allege that the government took his property without just compensation); *Korsinsky v. Dudas*, 227 Fed. Appx. 891 (Fed. Cir. 2007) (affirming district court decision dismissing takings claim because the plaintiff had not retained a property interest in the patent, and the expiration of the patent could not constitute an unlawful taking). Unlike in *Michelotti* and *Korinsky*, MPHJ has alleged that its property was taken by Defendant without just compensation, and it has a valid property interest in its patents. Doc. 18, Count III.

As alleged by MPHJ, Defendant, acting under the color of Vermont law, has continuously unconstitutionally interfered with MPHJ’s time-limited patent property rights, and the enforcement of those rights. Such unconstitutional interference has chilled MPHJ’s ability to timely enforce its patents in Vermont. Despite Defendant’s insistence that applying a takings analysis to patents “would be an unprecedented and unwise step,” MPHJ has already been successful in getting relief for an unconstitutional taking by the AG of Nebraska in a § 1983 action essentially identical to this one. *See Activision TV, Inc. & MPHJ Technology Investments, LLC v. Bruning*, slip op. at 4-7 (D. Neb. Sept. 2, 2014). Given that MPHJ has already secured a final judgment in another federal court on this exact same claim, and on essentially identical facts, it can scarcely be said that MPHJ has not adequately pled a claim. Defendant’s Motion to Dismiss Claim III on the basis of Rule 12(b)(6) plainly must be denied.

²⁰ Ironically, Defendant admits earlier in his briefing that “MPHJ alleges that a taking has occurred,” yet argues now that MPHJ has failed to make such an allegation. *See* Doc. 19-1 at 17.

D. In Connection With The § 1983 Violations Asserted, Including Claim I(F) and Claim II(E), MPHJ Has Properly Pled As One Alternative Grounds For Relief, Improper Selective Prosecution

In Claim I(F), and Claim II(D & G), MPHJ has alleged violations by Defendant of 42 U.S.C. § 1983. MPHJ has already prevailed under § 1983 in a final judgment against the Nebraska AG on grounds identical to those here. Thus, it cannot be argued that these Claims do not satisfy Rule 12(b)(6), and Defendant does not appear to make such an argument.

However, Defendant does appear to take issue with one alternative grounds cited by MPHJ as a basis for finding a violation of § 1983. That ground is MPHJ's allegation that Defendant's assertions of Vermont state law against MPHJ is unconstitutional, independent of First Amendment or Dormant Commerce Clause grounds, because it amounts to unlawful selective prosecution barred by the Equal Protection Clause of the Fourteenth Amendment. Defendant contends that MPHJ has not properly pled this ground because, in his view, "a type of patent owner is not an arbitrary classification for purposes of the Equal Protection Clause." Doc. 19-1 at 20. There are multiple problems with this simplistic argument. First, it is not an argument that MPHJ has not adequately pled the issue. Instead, it is an argument that Defendant has a defense to the allegation – i.e., that he can show that "type of patent owner" is not a protected class. But this is not a proper Rule 12(b)(6) argument.

Moreover, even considering the argument, Defendant fails to provide any evidence or authority supporting his contention that a patent owner is not an improper arbitrary classification. MPHJ believes that a type of patent owner is an arbitrary classification, as it has adequately pled in its First Amended Complaint. Many other courts have agreed that a patent owner's status as a NPE should not be treated differently merely because of their NPE status.²¹ The BFAPIA, on its face, treats NPE's differently than other types of patent owners, such as universities, inventors, or patentees who sell products covered by the patent. *See* 9 V.S.A. § 4197(c) (explaining that for these type of patent owners, there is a presumption that a person has not made a bad faith

²¹ *See, e.g., Cradle IP, LLC v. Texas Instruments, Inc.*, 2013 U.S. Dist. LEXIS 19245, at *6 (D. Del. Feb. 13, 2013); *Advanced Processor Tech., LLC v. Atmel Corp.*, 2013 U.S. Dist. LEXIS 43050, at *20 (E.D. Tex. Mar. 26, 2013).

assertion of patent infringement). Accordingly, not only has MPHJ alleged and made a “credible showing” that similarly situated patent owners are being treated differently, but the face of the Vermont statute explicitly treats them as such. Further, Defendant has publicly admitted that the BFAPIA was passed solely to take care of the “troll problem.” *See* Manitsky Decl., Exh. 2. Thus, even Defendant agrees that the Act was passed to discriminate against a certain type of patent owner, a NPE, which he derogatively refers to as a “patent troll.” *Id.* MPHJ has undoubtedly alleged that the BFAPIA was passed for a discriminatory purpose, and that Defendant intends to enforce the Act, and merely reading the First Amended Complaint confirms that. As such, MPHJ has properly pled a claim for relief for selective prosecution.

II. MPHJ HAS STANDING WITH RESPECT TO THE CHALLENGED CLAIMS

Having demonstrated above that MPHJ’s claims are adequately pled, and do satisfy Rule 12(b)(6), MPHJ turns next to the claims which Defendant contends should be dismissed for lack of standing and ripeness. These are Count I (A, C-F); Count II (A) and Count III.

A. The Applicable Test For Standing In This Case Is Well-Established

The general test for standing requires (1) actual, concrete injury; (2) a causal connection between the injury and the Defendant’s conduct; and (3) that the injury will likely be redressed by a decision in MPHJ’s favor. *Pierre v. Holder*, 738 F.3d 39, 47 (2d Cir. 2013) citing *Friends of the Earth, Inc. v. Laidlaw Env’tl. Servs.*, 528 U.S. 167, 180-81 (2000). Here, Defendant contends that MPHJ has not adequately alleged “injury” to establish standing, but does not challenge that the other two parts of the standing test are met.

Where, as here, the intended activity is constitutionally protected, “injury” is established by showing a credible threat of present or future prosecution against the protected activity. *See, e.g., Susan B. Anthony List v. Driehaus*, 134 S. Ct. 2334, 2342 (2014); *Vt. Right to Life Comm. v. Sorrell*, 221 F.3d 376, 382 (2d Cir. 2000) (affirming finding of standing to challenge statutes because “[t]he threat of suit under the questioned statute may be injury enough. A plaintiff ... need not demonstrate to a certainty that it will be prosecuted under the statute to show injury”). *See also Vermont Right to Life Comm. v. Sorrell*, 19 F. Supp. 2d 204, 210 (D. Vt.1998).

In *Susan B. Anthony List v. Driehaus*, 134 S. Ct. 2334, 2342 (2014), the Supreme Court set forth a three-part test for establishing a “credible threat of enforcement”: (1) the plaintiffs had alleged an intention to engage in a course of conduct arguably affected with a constitutional interest; (2) the plaintiffs’ conduct was arguably proscribed by the challenged statute; and (3) the threat of future enforcement was substantial. *Id.* at *20-29. MPHJ easily meets all three parts of this test.

B. MPHJ Easily Satisfies The Requirement To Demonstrate A “Credible Threat Of Enforcement” Against Its Activity Protected By The First Amendment, And Thus Has Standing

MPHJ’s suit satisfies the three *Anthony* tests for alleging a “credible threat.” MPHJ has consistently indicated it intends to enforce its patents. Indeed, even Defendant concedes that MPHJ has said it would do so “once the legal clouds cleared.” Well, the only inhibitions on MPHJ sending letters in Vermont were the fact the patents were under review in the Patent Office, and the discussions MPHJ was having with the FTC over an agreement regarding future assertions. Declaration of J. Mac. Rust (“Rust Decl.”) at ¶¶ 9-11. Both of those issues have been resolved. *Id.* MPHJ has had a claim upheld by the Patent Office that it reasonably suspects of infringement. *See* Exh. A. It has reached agreement with the FTC regarding future letters that plainly permit the letter included as an Exhibit to the Complaint. *See* Doc. 18-11. Even this Court recognized MPHJ had a future intent to send letters necessary to enforce its patents, noting in an earlier hearing that the State’s withdrawal of a claim for injunction against ever enforcing MPHJ’s patents in Vermont would be “good for MPHJ” as it could enforce its patents in the future. *See* No. 2:13-cv-170, Doc. 50 at 9-14. That MPHJ has adequately alleged an intent to engage in sending letters is clear.

As to the second part of the *Anthony* test for a credible threat, Defendant cannot deny that MPHJ has alleged that its intended course of conduct is arguably proscribed by the challenged statutes. First, MPHJ has already been sued by Defendant under the VCPA for sending infringement letters. As one form of violation of the VCPA, Defendant has alleged that sending any letter to a suspected infringer without first having evidence that the recipient infringes

violates the VCPA. Thus, **any** letter MPHJ would send inquiring as to suspected infringement of its patents would be subject to the same claim regardless of the specific suspected infringer. As to the BFAPIA, it also proscribes sending letters without including proof of infringement.

Finally, as to third part of the *Anthony* test— whether MPHJ faces a substantial threat of future enforcement – it would be hard to find a case where this was not easier to show. As noted, MPHJ has already been sued under the VCPA for sending letters seeking to inquire regarding infringement. The new letters, by virtue of the very fact that they must be infringement inquiry letters under *Judin* (*i.e.*, the suspected infringement cannot be determined from publicly available information), are necessarily subject to Defendant’s position that those letters violate the VCPA. Further, as to the BFAPIA, MPHJ is in a unique position to establish a credible threat of suit. Defendant has publicly proclaimed that the Act was passed directly as a response to MPHJ’s sending of patent infringement inquiry letters. Manitsky Decl., Exh. 2. Further, he has repeatedly said that the reason the Act was not asserted against MPHJ was that the prior letters were sent before the Act became effective (not because those letters did not violate the BFAPIA). *See, e.g.*, Doc. 13-1 at 1. MPHJ has certainly alleged enough to show the statutes arguably proscribe MPHJ’s intended conduct.²²

It is thus clear that MPHJ satisfies the *Anthony* test for standing, as it plainly has established a credible threat of enforcement against its constitutionally protected activity. Defendant has presented a scattershot of allegations contending the contrary, and below, MPHJ demonstrates that none of them support that MPHJ lacks standing.

C. Defendant’s Multitude Of Contentions That MPHJ Has Not Adequately Alleged Injury Are Wrong

Defendant contends MPHJ’s allegation of a credible threat of infringement is insufficient

²² It is also worth noting, that any inhibition others might feel from the fact that MPHJ’s conduct is protected by the First Amendment plainly does not apply here. There can be no doubt that Defendant will feel no inhibition in asserting the VCPA and the BFAPIA against MPHJ’s letters without any regard to whether sending those letters is objectively and subjectively baseless. Defendant has insisted that such a predicate requirement is “illogical” and “irrelevant.” *See* No. 14-cv-137, Doc. 10-1 at 27 (Fed. Cir. June 9, 2014).

because: (1) MPHJ's alleged intent to send letters is insufficient; (2) the IPR process invalidated certain claims of MPHJ's patents; (3) Claim 6 was not "explained"; (4) MPHJ did not cite a specific timeframe; and (5) agreements with the FTC and the New York AG purportedly require changes in MPHJ's prior letters. Each of these is addressed below.

1. MPHJ Intends To Continue Enforcing Its Patents In Vermont

Defendant claims that MPHJ's statement of intent is purely speculative because MPHJ stopped sending letters into Vermont in February 2013 and has sent no letters since the BFAPIA was enacted, and MPHJ halted sending letters while its patents were challenged on *inter partes* review before the Patent Office. Both points are true, but irrelevant.

MPHJ did halt sending letters when its patents were put into review in the Patent Office. But that review is now complete, and a key claim of MPHJ's patents, Claim 6 of the '426 Patent, was upheld. Exhs. A & C. Thus, this reason why MPHJ earlier halted sending enforcement letters no longer applies, and cannot show MPHJ lacks any intent.

Second, MPHJ also halted sending letters into Vermont while Defendant reviewed the matter. With the matter of MPHJ's prior letters now in state court, that issue will proceed there (subject to MPHJ's appeal of the remand). But that proceeding involves prior letters, and as this Court has found, does not involve the BFAPIA or the revised letter in Exhibit F to the Complaint to be sent in the future. Thus, it is here that MPHJ seeks to secure its rights to resume enforcement of its patents that have been upheld by the Patent Office using different letters.²³

(a) The *Inter Partes* Review Proceedings Have Not Affected MPHJ's Ability To Send Letters In Vermont

Next, Defendant confusingly contends that MPHJ's intent to send future letters is speculative because of the Patent Office *inter partes* review proceedings. But the exact opposite is the case. The decision in those proceedings newly affirms the validity of some claims of MPHJ's patents, and provides MPHJ the ability to resume enforcing its patents. Exhs. A-C. The

²³ The proffer by MPHJ to not send any letters during the state court proceedings until a decision on appeal of the first remand has no relevance. That appeal was denied, and the offer to stay no longer applies. Moreover, since then, the Patent Office review has been completed.

fact that some claims were found to be invalid is simply irrelevant to the fact that Claim 6 was upheld. And, that Claim 6 was upheld supports a conclusion that MPHJ now intends to resume enforcement.²⁴

(b) MPHJ's Intent To Send Future Letters Is Speculative Because Claim 6 Is Not "Explained" In The Complaint

Defendant asserts that MPHJ's intention to enforce Claim 6 of the '426 Patent is implausible because the First Amended Complaint does not include any explanation of Claim 6, or of any factual basis that MPHJ has to suspect that a Vermont business is infringing Claim 6, or any information about the identity of the supposed infringers. *See* Doc. 19-1 at 8. But these particular allegations demonstrate both a lack of understanding of patent law and a misunderstanding of the requirements for MPHJ's Complaint.

First, it is obvious that MPHJ has no obligation in its Complaint to explain Claim 6 to Defendant. The patent is attached to the Complaint, and the information needed to properly construe that claim is a matter of public record. There is no obligation to "explain" Claim 6 to Defendant.

Second, the irony in Defendant's position here is enormous. Defendant has insisted to this Court, and to every court to consider this matter, that he has, can, and will assert state law without regard to whether MPHJ's patents are valid and infringed. Indeed, he has insisted that to require him to address the baselessness of validity and infringement would be "illogical" and "irrelevant." *See* No. 14-cv-137, Doc. 10-1 at 27 (Fed. Cir. June 9, 2014). Indeed, MPHJ's claims under § 1983 are based on Defendant's unlawful position. If he is abandoning that position now, as he should, he should simply say so, and also dismiss the State Action.²⁵

²⁴ A belief that Claim 6 is valid cannot be considered objectively or subjectively baseless. Defendant's observation that Claim 6 was not singled out as an example for recipients to consider in MPHJ's earlier letters is irrelevant to whether Claim 6 is suspected of infringement.

²⁵ It should also be noted that, at a minimum, MPHJ has alleged that Defendant asserts that *Judin*-type patents cannot be asserted in Vermont, and that companies too small to afford counsel have immunity from infringement claims in Vermont (or at least immunity from receiving correspondence related to infringement). Neither of these claims requires any evidence of infringement.

In any event, MPHJ has adequately and specifically alleged that it is not baseless to consider Claim 6 valid, and not baseless to believe that some Vermont businesses are infringing it. These allegations are sufficient to establish standing. MPHJ is not required to identify specific suspected infringers, or to detail specific bases for suspected infringement, in support of this general allegation. However, to quash any doubt regarding this, MPHJ submits here under seal evidence and analysis establishing that there is a reasonable basis to suspect specific companies in Vermont of infringing Claim 6. *See* Declaration of Saul Acevedo (“Acevedo Decl.”), *passim*. This showing is more than sufficient to establish standing.²⁶

(c) MPHJ Does Not Provide A Timeframe For Sending Letters

Defendant also claims that the First Amended Complaint does not allege an injury because it provides no time frame for any future action. Doc. 19-1 at 9. Clearly, MPHJ wishes to send such letters immediately, and has brought this suit so that it can do so. Any argument to the contrary is nonsensical. Indeed, MPHJ’s Motion for Preliminary Injunction filed contemporaneously with this Opposition should serve adequately to put this issue to rest.²⁷

(d) Agreements MPHJ Has Reached With The FTC And The New York AG Do Not Affect Its Ability To Send Letters

Finally, Defendant contends that agreements reached by MPHJ with the FTC and the New York AG somehow suggest that MPHJ does not have an intent to send the letters. But this contention simply makes no sense in light of the facts.

MPHJ’s agreement with the FTC requires that MPHJ confirm that any factual statements

²⁶ Finally, MPHJ has not named the identity of the alleged infringers in its Amended Complaint for confidentiality purposes, but in the attached declaration, provides this Court, under seal, the names of the infringers it seeks to send patent infringement inquiry correspondence to. *See* Acevedo Decl. at ¶¶ 62-75 & Exhs. 1-4. Importantly, the exclusion of these allegations from MPHJ’s Amended Complaint is certainly not “fatal,” as Defendant suggests.

²⁷ Another illogical argument is that MPHJ has not alleged standing because the proposed new letter attached to MPHJ’s First Amended Complaint is drafted in MPHJ’s name only, not like previous letters, which were drafted in MPHJ’s exclusive licensees’ names. Doc. 19-1 at 9. But MPHJ has brought this suit on behalf of itself and its subsidiaries, and merely identified itself as the sender in the example draft letter for convenience purposes. Clearly any sender of a future letter will have the exclusive right to enforce the ’426 Patent. Such an anomalous conclusion by Defendant to the contrary does not negate MPHJ’s standing.

made in its enforcement letters be accurate, and that any statement of intention to bring suit not be made unless there is in fact an intent to bring suit.²⁸ *See* Doc. 18-11. The letter attached as an exhibit to the Amended Complaint plainly satisfies the FTC’s requirements. *See* Doc. 18-13. Thus, the FTC agreement presents no bar to the sending of MPHJ’s future letters.

Defendant’s reference to the New York agreement is particularly puzzling. The Court will recall from the hearing that MPHJ expressly offered to enter into a similar agreement with the Vermont AG, an offer which was refused. *See* No. 2:13-cv-170, Doc. 50 at 26-29. Thus, it is hard to see how MPHJ’s agreement with the New York AG has any relevance here. Further, that agreement included letters which were considered to be in compliance with MPHJ’s agreement, and the letter attached as an exhibit to the Complaint is simply an updated version of that letter.

If anything, the fact that MPHJ has revised its letters to satisfy the FTC and the New York AG, and to reflect the results of the Patent Office proceedings, and to simply moot some of the allegations made by the Vermont AG in the state case (such as simply not making any reference to an appropriate royalty) highlights the fact that MPHJ has taken care to prepare letters that it may now send without further interference.

Thus, contrary to Defendant’s naked assertions, MPHJ has not “agreed to restrictions on future patent-related communications” it will send to infringers of its patents – either by the USPTO’s decision, the FTC Agreement, or the New York Agreement, that would have any relevance to this case.²⁹ In short, MPHJ clearly has standing under the *Anthony* test, and nothing in Defendant’s contentions serves to refute that conclusion.

III. MPHJ’S CLAIMS ARE AND RIPE JUSTICIABLE

In addition to challenging standing, Defendant also wrongly contends with respect to the

²⁸ MPHJ believes that both of these requirements were met by its original letters, and did not admit to the contrary in its agreement with the FTC.

²⁹ It is worth noting that neither the FTC nor New York proposed, as Defendant does, that companies that are “too small” to afford patent litigation have immunity from patent infringement. *See* No. 2:14-cv-192, Doc. 7 at ¶ 56. Nor do they propose that infringement inquiry letters can never be sent to suspected infringers without first having evidence of the infringement in-hand. *See* Docs. 18-10 & 18-11. Simply reading those agreements makes that clear.

same challenged claims that MPHJ lacks either constitutional or prudential ripeness.

A. MPHJ Has Met The Relaxed Ripeness Constitutional Test

Ripeness requires that an injury will likely occur, that the fact record is sufficiently developed, and that the plaintiff would suffer hardship by refusal of jurisdiction. *See Abbott Labs. v. Gardner*, 387 U.S. 136, 149 (1967). As was the case with the standing issue, it is similarly true that because MPHJ alleges that Defendant has impermissibly interfered with and “chilled” MPHJ’s First Amendment rights, the courts apply a “relaxed” test for ripeness. That relaxed test requires only showing a “credible threat” of suit, a test easily met here.³⁰ *See, e.g., Nat’l Org. for Marriage, Inc. v. Walsh*, 714 F.3d 682, 687-88 (2d Cir. 2013). Accordingly, because MPHJ’s activity is constitutionally protected, its claims are ripe where Defendant’s conduct represents a credible threat of suit that chills MPHJ’s patent enforcement efforts. As already explained regarding standing, MPHJ has undoubtedly alleged that Defendant’s conduct represents a credible threat of suit that chills the exercise of MPHJ’s First Amendment rights.

1. Where MPHJ’s Claims Are For Impairment Of First Amendment Rights, A “Credible Threat” Against That Activity Establishes Injury

Chilling a plaintiff’s exercise of First Amendment rights satisfies the injury requirement for ripeness. *Walsh*, 714 F.3d at 689 (“a real and imminent fear of such chilling is enough... without the possibility of pre-enforcement challenges, plaintiffs contesting statutes or regulations on First Amendment grounds “face an unattractive set of options if they are barred from bringing a facial challenge,” refraining from activity they believe the First Amendment protects, or risk civil or criminal penalties for violating the challenged law”) citing *Fla. League of Prof’l Lobbyists, Inc. v. Meggs*, 87 F.3d 457, 459 (11th Cir. 1996). A “threat of suit” is sufficient to establish that there is a “chilling” of the plaintiff’s First Amendment rights. *See Vt. Right to Life*, 221 F.3d at 382 (finding ripeness because the plaintiff “should not be required to await and

³⁰ *See also New Mexicans for Bill Richardson v. Gonzales*, 64 F.3d 1495, 1500 (10th Cir.1995) (“The primary reasons for relaxing the ripeness analysis in th[e] [First Amendment] context is the chilling effect that potentially unconstitutional burdens on free speech may occasion”); *Lopez v. Candaele*, 630 F.3d 775, 781 (9th Cir. 2010) (similar).

undergo a criminal prosecution as the sole means of seeking relief”) quoting *Babbitt v. United Farm Workers Nat’l Union*, 442 U.S. 289, 298 (1979); see also *Virginia v. American Booksellers Ass’n, Inc.*, 484 U.S. 383, 392-93 (1988); *Shields v. Babbitt*, 229 F. Supp. 2d 638, 652-53 (W.D. Tex. 2000) (holding that an official’s threat to enforce a statute against a plaintiff is enough to create ripeness permitting the plaintiff to challenge a statute’s constitutionality if the plaintiff alleges that he had engaged, was engaging, or desired to engage in the prohibited activity).³¹

As explained above, Defendant believes that MPHJ cannot perceive a credible threat by him of suit for enforcing its patents, unless MPHJ provides detailed allegations regarding Vermont infringers. See Doc. 19-1 at 9-10. But MPHJ has alleged that it has a reasonable basis to assume certain Vermont businesses are infringing its patents, and that it intends to send patent infringement inquiry letters to those businesses it suspects of infringing its patents, actions it is constitutionally protected to do. MPHJ has alleged Defendant contends MPHJ cannot send these letters at all unless it first has proof of infringement, or if the company is too small to afford counsel. Finally, MPHJ has alleged that sending such letters would violate the BFAPIA and subject MPHJ to suit by Defendant. Clearly MPHJ has alleged a credible threat of enforcement for the exercise of its First Amendment rights, much like the plaintiffs did in *Walsh* and *Vermont Right to Life Committee*.

The fact that Defendant claims that the State Action does not implicate the BFAPIA is of no moment here. This is because the threat against the exercise of First Amendment rights establishes ripeness even when no suit has been brought. See, e.g., *Walsh*, 714 F.3d at 690 (explaining that, like in *Vermont Right to Life*, it makes no difference that the state denied that the plaintiff actually was subject to the challenged law. What mattered was that the plaintiff

³¹ Other circuits agree. See *S.C. Citizens for Life, Inc. v. Krawcheck*, 301 Fed. Appx. 218, 221 (4th Cir. 2008) (“a plaintiff bringing a First Amendment claim need only show a ‘credible threat of prosecution,’ rather than a ‘threat of specific future harm.’”) (citation omitted); *Va. Soc’y for Human Life, Inc. v. FEC*, 263 F.3d 379, 390 (4th Cir. 2001) (holding that concrete plans to engage in protected activity with a fear of prosecution constituted imminent and immediate harm); *Briggs v. Ohio Elections Comm’n*, 61 F.3d 487, 492 (6th Cir. 1995) (similar).

faced a “credible threat” that the law would be enforced against it); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 128-29 (2007); *Steffel v. Thompson*, 415 U.S. 452 (1974) (“it is not necessary that [a party] first expose himself to actual arrest and prosecution to be entitled to challenge a statute that he claims deters his exercise of his constitutional rights”); *Initiative*, 450 F.3d at 1088 (a threat is sufficient, as there is “no need for the iron fist to slip its velvet glove”).

2. Defendant’s Threat Of Imminent Suit For The Sending Of The Claim 6 Letters Certainly “Chills” MPHJ’s First Amendment Rights

While demonstrating a “credible threat” of suit against First Amendment rights is sufficient alone to establish standing and ripeness, MPHJ can also show separately that its conduct specifically has been “chilled.” Threatened action by the government is sufficiently “chilling” if it is “likely to deter a person of ordinary firmness from the exercise of First Amendment rights.” *See Benham v. City of Charlotte*, 635 F. 3d 129, 135 (4th Cir. 2011) (In First Amendment cases, the injury-in-fact element is satisfied by a sufficient showing of “self-censorship, which occurs when a claimant is chilled from exercising h[is] right to free expression.”); *Cooksey v. Futrell*, 721 F.3d 226, 236-38 (4th Cir. 2013); *MedImmune*, 549 U.S. at 128-29. MPHJ has alleged that it has been deterred from resuming its conduct until Defendant’s threats are resolved.

The Tenth Circuit decision in *Initiative and Referendum Institute v. Walker*, 450 F.3d 1082, 1089 (10th Cir. 2006) provides a useful three-part test for whether a plaintiff’s conduct has been “chilled:” (1) evidence that in the past plaintiffs have engaged in the type of speech affected by the threatened government action; (2) affidavits or testimony stating a present desire, though no specific plans, to engage in such activity; and (3) a plausible claim that plaintiffs presently have no intention to do so *because of* a credible threat that action will be taken. As to the first factor, it is clear that the entire State Action is premised on MPHJ engaging in the exact same conduct, the sending of patent letters. As to the second and third factors, MPHJ’s Amended

Complaint and attached Declarations make it clear that MPHJ desires to resume its patent enforcement activity, and that it cannot do so because of the threat of suit by Defendant.³²

As a result, MPHJ's ability to enforce its patents is chilled, as it has a reasonable fear of being subject to suit and sanctions by Defendant for its enforcement of its patents.³³ The uncertainty surrounding whether and how MPHJ may enforce its patents against infringers results in unbridled impairment of its patent rights and halts MPHJ's enforcement efforts. Contrary to Defendant's assertions, there is no speculative injury here – it is concrete, actual, imminent and imposed upon MPHJ by Defendant. MPHJ thus has undoubtedly shown that its Claim 6 claims are ripe under the constitutional test.³⁴

B. The Prudential Ripeness Doctrine Is Also Met Here

In determining whether to dismiss a case on prudential ripeness grounds, the court evaluates the fitness of the issues for judicial decision and the hardship to the parties of withholding court consideration. *Walsh*, 714 F.3d at 691. The fitness analysis concerns whether the issues are contingent on future events or may never occur, and in assessing hardship, the court asks whether the challenged action creates an immediate dilemma for the parties. *Id.* Just as in *Walsh*, MPHJ meets this test. Like the court found there, it is “disingenuous” for Defendant to insinuate that the BFAPIA would not be applied to MPHJ's future letters, as Defendant himself has admitted that the statute was passed to curtail MPHJ's patent enforcement efforts, and to be another “arrow in the quiver” for Defendant to assert against MPHJ. Manitsky Decl., Exh. 2.

Defendant also claims the issues are not fit for review because MPHJ has not described

³³ Here, MPHJ can demonstrate more than “chill,” but also injury-in-fact. If MPHJ proceeds, Defendant will sue, and will seek numerous monetary penalties, including requiring MPHJ to post a bond under the BFAPIA. 9 V.S.A. § 4198. Because MPHJ incurs costs in its patent enforcement efforts, that means its net loss will only increase as its enforcement activity continues. As such, Defendant's threat of suit puts MPHJ at risk of irreparable loss and injury is likely if this suit is not heard. Such injury is plainly enough to show ripeness. *See, e.g., Meese v. Keene*, 481 U.S. 465, 473-74 (1987). Further, the delay caused by Defendant's threats affect MPHJ's right to pursue past damages (35 U.S.C. § 286), and raise laches issues. *State Contr. & Eng'g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057 (Fed. Cir. 2003).

what Claim 6 covers or facts that suggest Vermont businesses are infringing the '426 Patent. But, as explained previously, MPHJ has adequately alleged that it has a reasonable belief that Vermont businesses are infringing Claim 6 (and has provided Declarations to this end) and has adequately alleged that Defendant has and is chilling MPHJ's exercise of its constitutional rights to enforce its patents.

Like the plaintiff in *Walsh*, MPHJ has not only alleged that it immediately intends to send patent inquiry communications into Vermont, but has actually attached an example of the proposed letter it intends to send, and, in attached declarations, the companies it believes are infringing its patents. Clearly this issue is fit for judicial decision and MPHJ would continue to undoubtedly endure immediate hardship by not being able to enforce its patent rights in Vermont. As such, the prudential ripeness doctrine is likewise satisfied here.³⁵

C. MPHJ's Claims Regarding Validity And Infringement Are Justiciable

Defendant argues that MPHJ's claims regarding validity and infringement are not justiciable because there is no case or controversy for these claims. But here Defendant confuses the fact that he has conceded as to the merits of these claims with the question of whether there is a case or controversy. As *Globetrotter* established, state law cannot be asserted against a patent owner for sending patent correspondence unless the challenger pleads and proves objective and subjective baselessness. *Globetrotter*, 362 F.3d at 1376. Thus, in asserting the VCPA and threatening suit under BFAPIA, Defendant necessarily has injected the issue of objective baselessness into the case (including validity and infringement). That Defendant insists he will not challenge validity or infringement, and indeed in this case is now estopped from doing so, does not mean MPHJ may not bring its declaratory claims. Instead it means only that judgment must be granted in favor of MPHJ on those claims. There plainly is a case or controversy (as to

³⁵ Oddly, Defendant cites *Shala* to argue the difference between commercial speech and political speech relevant to the ripeness inquiry. Doc. 19-1 at 11. But this is not a free speech case, but rather, a right to petition case under the First Amendment.

whether validity and infringement are baseless) that is ripe for adjudication.³⁶ MPHJ is thus entitled to seek a declaration that would be secured by a judgment on MPHJ's claims regarding validity and infringement.

As Vermont did in *Vt. Right to Life*, Defendant argues here that MPHJ lacks an injury to assert its claims regarding baselessness as to validity and infringement because such a determination calls for an advisory opinion because he has not yet explicitly threatened MPHJ with suit. *Vt. Right to Life*, 19 F. Supp. 2d at 209. Like the Court in *Vt. Right to Life*, this Court should also reject the argument here. Contrary to the Defendant's assertions, whether MPHJ's enforcement activities are objectively baseless is at the heart of this dispute – any future claim by Defendant that MPHJ's correspondence violates Vermont law cannot survive absent a showing of objective (and subjective) baselessness. Simply because Defendant disavows any intent to litigate this prerequisite element of its case does not prevent MPHJ from securing a declaratory judgment on the issue.³⁷ Further, the cases cited by Defendant presumably holding that a patentee cannot maintain a cause of action for a declaration that a patent is invalid are inapposite and distinguishable– as none of those cases dealt with a situation where an AG asserts state law claims against activity protected by the First Amendment.³⁸

Unlike Defendant's cited cases, Defendant has already filed suit, asserting violation of state laws for the exercise of MPHJ's First Amendment rights. That enforcement action, and the

³⁶ By Defendant's logic, a declaratory judgment plaintiff could always be deprived of standing to bring the declaratory suit by the ploy on the part of the defendant of stating a willingness to agree with the declaration being sought. This result would forever leave the plaintiff in limbo, unable to secure the judgment on the issue. That, obviously, is not the law.

³⁷ A decision that MPHJ's enforcement activities were not objectively baseless, would be merely an affirmation of the same conclusion by the Nebraska Court. *See Activision TV, Inc. & MPHJ Technology Investments, LLC v. Bruning*, slip op. at 4-7 (D. Neb. Sept. 2, 2014).

³⁸ *See* Doc. 25-1 at 15 (*C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir. 1983) (the patentee was not seeking a declaration, rather, the licensee sought a declaration that the patent was invalid), *Astrazeneca AB v. Reddy's Labs., Inc.*, 2014 U.S. Dist. LEXIS 41625 (D.N.J. Mar. 28, 2014) (infringement action where invalidity was not asserted as a defense, *Brooks Mfg. Co. v. Dis-Tran Wood Prods., LLC*, 2012 U.S. Dist. LEXIS 46518 (W.D. Wash. Mar. 30, 2012) (no evidence to support infringement claim and suit was filed based on assertions the patents were invalid, but the defendant had never brought a claim against the patentee so no injury), and *Semiconductor Energy Lab Co. v. Nagata*, 706 F.3d 1365 (Fed. Cir. 2013) (assignor estoppel).

credible threat MPHJ has of suit under the BFAPIA has led MPHJ reasonably to postpone enforcing its patents in Vermont. A declaration of lack of baselessness as to validity and infringement, as is sought by MPHJ's claims, would end this case. Whether Defendant concedes it or not, he cannot succeed in the State Action or any future case without pleading and proving baselessness on the basis of invalidity or non-infringement. And, because Defendant has not and cannot disavow any future intention to bring suit against MPHJ under other Vermont laws, including the BFAPIA, MPHJ's First Amendment rights will continue to be chilled until this Court declares its patent enforcement activities are protected speech and not subject to suit by Defendant. Thus, there is not only a credible threat of prosecution by Defendant that requires a determination of the validity and infringement, but there is also a credible threat of future prosecution. MPHJ has stated justiciable claims for relief regarding validity and infringement.³⁹

Finally, there is no reasonable argument that Defendant has caused MPHJ's injury. Defendant argues that he is not the "cause" because it is Vermont businesses who are not parties to this litigation that infringe MPHJ's patents and not the Attorney General. Doc. 19-1 at 13. But that is nonsensical. Here, the "injury" at issue is the injury to MPHJ in being unable to enforce its patents. It is Defendant's actions that are interfering with that right, not the private potential infringers. A decision by this Court would undoubtedly provide redress and protection to MPHJ from Defendant's unlawful actions, both now and in the future. Thus, MPHJ has adequately shown its validity and infringement claims are justiciable.

D. MPHJ's Claim For Relief Regarding Personal Jurisdiction Is Justiciable

As explained, MPHJ has alleged more than sufficient facts demonstrating its desire to resume sending patent infringement inquiry correspondence to Vermont infringers. MPHJ has also sufficiently alleged that should MPHJ send those letters, Defendant has made it clear that he

³⁹ Defendant also claims in a footnote that MPHJ has failed to state its validity and infringement claims, claiming the Amended Complaint does not allege facts upon which the Court could find Claim 6 of the '426 Patent to be infringed by Vermont businesses. Doc. 19-1 at 13 n.2. But this is nonsensical, MPHJ attached the '426 Patent to the Amended Complaint, and has alleged numerous facts describing the patent and the suspected infringement by Vermont businesses. *See, e.g.*, Doc. 18 at ¶¶ 24-58. MPHJ has undoubtedly stated claims for relief.

will bring suit under the VCPA and the BFAPIA, and will seek to exercise jurisdiction over MPHJ pursuant to Vermont's long-arm statute. This contention of jurisdiction over MPHJ is unconstitutional.⁴⁰ Defendant claims that MPHJ's injury is not traceable to him because a state court decides whether to enforce the long-arm statute. Doc. 19-1 at 15. But it is Defendant who has, and will, bring suit in Vermont, in violation of MPHJ's Due Process rights. Clearly MPHJ has alleged an injury that is traceable to Defendant.⁴¹

E. MPHJ's Takings Claim Is Ripe And Justiciable

Finally, Defendant asserts that MPHJ's takings claim is unripe and not justiciable because the pending State Action has placed no legal compulsion on MPHJ, there has been no final state action, and because MPHJ has failed to exhaust procedures in place for receiving compensation. Doc. 19-1 at 16-17. Defendant is wrong in all regards.

First, MPHJ does not have to wait until Defendant is done "taking" MPHJ's property without just compensation in order for MPHJ to have a ripe claim for review. By filing and maintaining the State Action and threatening enforcement under the BFAPIA, Defendant has chilled, and continues to chill MPHJ's First Amendment rights. Undoubtedly, a "legal compulsion" has been placed upon MPHJ, as it cannot continue to enforce its patents without facing an exorbitant monetary penalty under both the VCPA and the BFAPIA. Thus, MPHJ can certainly recover for the taking that has already occurred, and does not need to wait for a full adjudication of the state suit (where MPHJ's takings claim is not even present), for a determination that Defendant has unlawfully taken MPHJ's property.⁴²

⁴⁰ See *Eng'g & Insp. Servs., LLC*, 2013 U.S. Dist. LEXIS 146849 at *9-15; Exhs. E & E-1; No. 2:13-cv-170, Docs. 16 & 33.

⁴¹ Defendant is wrong that MPHJ seeks an advisory opinion regarding personal jurisdiction, and that there is no case or controversy on this claim. A ruling by this Court that the Vermont Long Arm Statute is unconstitutional under the Fourteenth Amendment where it permits MPHJ to be sued in Vermont when MPHJ's only contacts with Vermont were the sending of patent communications, would address part of the credible threat of unconstitutional conduct Defendant has imposed on MPHJ with respect to future enforcement of its patents. Defendant's position would mean that no unfairly targeted person could ever challenge in federal court a state statute that violated Due Process rights.

⁴² The authority cited by Defendant does not dispel this conclusion. In *Williamson County* the plaintiff failed to follow procedures for requesting a variance, and thus disapproval of the

Further, Defendant fails to explain what sort of procedure is available that MPHJ must exhaust before bringing its claim here, beyond asserting a bare conclusion that “Vermont state courts provide an ‘adequate procedure’ for compensating regulatory takings.” Doc. 19-1 at 17. This case is not like *Bongartz*, or those described within it, where the plaintiff failed to seek a permit or variance, or other type of land use regulation before bringing its claim. As even *Bongartz* explains, an owner is only required to seek compensation from a state prior to asserting a takings claim “if the state has a ‘reasonable, certain adequate provision for obtaining compensation.’” *Southview Assocs., Ltd. v. Bongartz*, 980 F.2d 84, 99 (2d Cir. 1992). There is no such procedure in Vermont for MPHJ to obtain compensation. And the filing of a takings claim in state court as opposed to federal court is not the “required procedure” that is described in *Bongartz*. If that were the case, no property owner could ever assert a takings claim in federal court. *See, e.g., Exxon Mobil Corp. v. Saudi Basic Industries Corp.*, 544 U.S. 280, 284 (2005); *Franco v. District of Columbia*, 456 F. Supp. 2d 35, 42 (D.D.C. 2006) citing *Pascoag Reservoir & Dam, LLC v. Rhode Island*, 337 F.3d 87, 92 (1st Cir. 2003) (explaining that a plaintiff can bring its claims in federal court when state law does not recognize that a taking has occurred).

Here, clearly there is no state recognition of an unlawful taking of federally proscribed patent rights. There is no adequate procedure in Vermont for MPHJ to seek compensation, and Defendant has not described one. As such, MPHJ’s takings claim is ripe for review.

IV. THE RARELY INVOKED *YOUNGER* ABSTENTION IS NOT APPROPRIATE

Defendant seeks to have the entirety of MPHJ’s suit dismissed under the *Younger* abstention doctrine. *Younger v. Harris*, 401 U.S. 37, 53-54 (1971).

For a district court to abstain under *Younger*, it must be shown that the federal action

plaintiff’s plan was not equivalent to a final decision that no variance would be granted. Here the decision making “government entity” is not the state court, but rather, Defendant. Defendant has already made a final decision that MPHJ has violated Vermont law. Further, unlike in *Garellick, Vermont Assembly* and *Hinesburg*, where the service provider voluntarily participated in a price-regulated activity (and thus there was no legal compulsion to provide service and therefore no taking), here MPHJ has not voluntarily given every Vermont business a license to infringe its patents – Defendant has compelled that result.

would interfere with the underlying state action, that the state action is a type of proceeding for which deference should be accorded, and that exceptions to the doctrine do not apply.⁴³ Here, there are substantial portions of MPHJ’s suit that do not involve issues involved in the State Action, and the federal case on those issues cannot “interfere” with that proceeding in the sense used in connection with the *Younger* doctrine. Second, the issues here that may share some common subject matter with the State Action are such that the State Action is not the type of proceeding for which *Younger* abstention applies to that portion of the federal case. Third, even if *Younger* might apply to that portion of the federal case, the well-settled exceptions apply.

It should first be noted that while Defendant seeks to have MPHJ’s entire case dismissed under *Younger*, MPHJ’s suit asserts multiple counts and claims, each of which must independently be assessed under *Younger*. In general, MPHJ’s counts and claims divide into two parts – those related to MPHJ’s intent to enforce its reconfirmed patent by sending new patent inquiry letters, such as that set forth as an example in Exhibit F of the First Amended Complaint, and addressing Defendant’s chilling of those rights by presenting a credible threat if MPHJ engages in that protected activity; and those related to the prior letters that are the subject of the ongoing state suit.

Count I seeks relief in part with respect to the BFAPIA. Defendant has previously insisted the State Action does not involve assertions of the BFAPIA, and this Court has agreed. As a result, the *Younger* doctrine has no relevance to MPHJ’s claims related to the unconstitutionality of that Act. A grant of relief on that Act would not interfere with the State Action. The same is true with respect to MPHJ’s claims under § 1983 seeking relief from the

⁴³ It should be noted at the outset that the U.S. Supreme Court recently reiterated that *Younger* abstention is the **exception**, *not* the rule, and that “federal courts ordinarily entertain and resolve on the merits an action within the scope of a jurisdictional grant, and **should not** ‘refus[e] to decide a case in deference to the States.’” *Sprint Communs., Inc. v. Jacobs*, 134 S. Ct. 584, 588 (2013) (“Circumstances fitting within the *Younger* doctrine, we have stressed, are **‘exceptional’**”) (emph. added). This is because, as the Supreme Court has emphasized time and time again, “a federal court’s ‘obligation’ to hear and decide a case is ‘virtually unflagging,’” and the existence of “[p]arallel state-court proceedings do[es] not detract from that obligation.” *Id.* at 591 (citation omitted). A reading of the Supreme Court’s decision in *Sprint* highlights its intention that *Younger* be applied only in rare situations.

future unlawful assertion by Defendant of state law against MPHJ's sending of letters. Properly restraining Defendant's future ability to engage in unconstitutional conduct by bringing baseless cases against MPHJ does not interfere with the State Action brought against MPHJ's past letters. The portion of MPHJ's suit relating to the right of MPHJ to be free from such conduct in the future will not interfere with the ongoing state proceeding.⁴⁴

Thus, the *Younger* doctrine only has potential relevance to MPHJ's claims and counts that relate to the as-applied unconstitutionality of the VCPA, and to Defendant's unlawful conduct in asserting and pursuing the claim against MPHJ's past letters. However, as MPHJ will show, *Younger* does not apply to this portion of MPHJ's case for several reasons. Finally, even if the Court were to find *Younger* applied to this portion, the proper result would not be the dismissal sought by Defendant, but instead a stay of that portion of MPHJ's suit.

A. *Younger* Is Inapplicable To That Portion Of MPHJ's Suit That Involves Issues Not Part Of The State Action, Including Claims Regarding The BFAPIA, And Claims Regarding MPHJ's Future Letters, As Their Resolution Could Not Interfere With The State Action

Younger, to apply, requires, **at a minimum**, that the federal proceeding **interfere** with the state proceeding. Importantly, "where federal proceedings parallel but do not interfere with state proceedings, the principles of comity underlying *Younger* abstention are not implicated." *Gwynedd Properties, Inc. v. Lower Gwynedd Township*, 970 F.2d 1195, 1201 (3d Cir. 1992). This is true even if there is some overlap, factually and legally, between the proceedings. *Id. See also Marks v. Stinson*, 19 F.3d 873, 882 (3d Cir. 1994) ("Although *Younger* abstention is founded on notions of comity, 'the [mere] pendency of an action in state court is no bar to proceedings concerning the same subject matter in the Federal court having jurisdiction.'") citing *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800, 816-17 (1976) ("This is true even in cases where there exists a 'potential for conflict in the results of adjudications'").

Defendant in the State Action repeatedly insisted in filings in that action, that the

⁴⁴ In this regard, an injunction against further interference by bringing unlawful suits in the future, is different than an injunction against further prosecution of the pending State Action.

Amended Complaint asserts no claims and seeks no relief under the BFAPIA. *See, e.g.*, Doc. No. 2:14-cv-192, Doc. 29 at 6; Doc. 25-1 at 3. Defendant also agreed in his Motion to Dismiss this case, that it is emphatically clear that “[t]he State Action does not assert any claims under [the Bad Faith Assertions of Patent Infringement] Act”). Doc. 13-1 at 1.

Not only has Defendant argued that the State Action in no way implicates the BFAPIA, but this Court, in its Remand Order, concluded the same.⁴⁵ This Court even acknowledged that “[i]f MPHJ wishes to bring challenges to the BFAPIA or other Vermont statutes in federal court it may do so – and has in fact done so – in a separate action”).⁴⁶

To overcome this clear law, Defendant contends that the relief sought by MPHJ in its BFAPIA claims would interfere with the prosecution of the State Action and the state court’s authority to grant injunctive relief in that case. But this argument is simply wrong. *Younger* presents no bar where the federal action concerns issues collateral to the state issues, especially where the challenged law is different in the federal action, as it is here (this is true even if the relief in the state action could be affected). *See, e.g., Einhaus v. Fawn Twp.*, 2013 U.S. Dist. LEXIS 29774, at *7 (M.D. Pa. Mar. 1, 2013) (deciding not to abstain because the plaintiffs were “not attempting to restrain the state-court proceedings, but instead [were] seeking relief from both courts, on different causes of action”); *Wiener v. County of San Diego*, 23 F.3d 263, 267 (9th Cir. 1994) (*Younger* abstention inappropriate where the federal court action did not challenge the same law that was issue in the state court action); *Marks*, 19 F.3d at 882 (similar). In short, a judgment by this Court that the BFAPIA is unconstitutional could not affect the State Action where the BFAPIA is not asserted. As a result, *Younger* abstention is no bar.⁴⁷

⁴⁵ *See* No. 2:14-cv-00192, Doc. 33 at 12, 17 & 19.

⁴⁶ Defendant cannot have it both ways – he cannot assert that the State Action does not implicate the BFAPIA in an effort to ensure remand of that action and/or dismissal of MPHJ’s counterclaims in that case, while at the same time asserting that this Court should abstain from hearing MPHJ’s claims under the Act because of the ongoing State Action. This Court agreed with Defendant that it does not, and it therefore follows that *Younger* abstention is not then appropriate here to bar those claims. An agreement with Defendant on this issue would mean that MPHJ’s claims under the BFAPIA would never be heard.

⁴⁷ These include at least all Counts in the Amended Complaint under Count I and Count II related to the BFAPIA. *See, e.g.*, Doc. 18 at Count I-A – Count I-F & Count II-A.

By the same token and pursuant to these same laws, any and all of MPHJ's Claims as set forth in the Amended Complaint related to MPHJ's desire and intent to send future patent enforcement letters, including the post-IPR letters described in the Amended Complaint, including Counts I-A – I-F, should likewise not be dismissed on abstention grounds. It is clear that any new letters MPHJ wishes to send, and whether those letters may be the subject of assertions of Vermont law, will not be addressed in the State Action concerning MPHJ's past letters. As such, abstention is inappropriate for these Counts.⁴⁸ An injunction preventing Defendant from bringing new suits without pleading and proving baselessness will not prevent Defendant from litigating the already filed State Action.

B. As To That Portion Of MPHJ's Suit That Shares Common Subject Matter With The State Action, The Requirements For *Younger* Are Not Met Here

Part of MPHJ's suit seeks a declaration that the VCPA is unconstitutional as applied. That portion of MPHJ's case arguably includes at least some legal questions that may also arise in the State Action. But *Younger* does not apply simply because there may be an overlap of issues in concurrent state and federal proceedings. *See Gwynedd*, 970 F.2d at 1201; *Marks*, 19 F.3d at 882; *Colorado*, 424 U.S. at 816-17. The Supreme Court in *Sprint* recently had the opportunity to reexamine *Younger*, and the unique requirements that must be met in order for a district court to abstain. There the Supreme Court reversed the decision to abstain, and early in its opinion enunciated a key principle: "*federal courts are obliged to decide cases within the scope of federal jurisdiction. Abstention is not in order simply because a pending state-court proceeding involves the same subject matter.*" *Sprint*, 134 S. Ct. at 588 (emph. added).

Sprint clarified that there are only three categories of cases to which *Younger* can apply,

⁴⁸ Abstention is also inappropriate with respect to MPHJ's Takings Claim in Count III. This is because "[t]he Second Circuit has held that 'when money damages, as opposed to equitable relief, are sought, it is less likely that unacceptable interference with the ongoing state proceeding, the evil against which *Younger* seeks to guard, would result from the federal court's exercise of jurisdiction.'" *Russo v. City of Hartford*, 158 F. Supp. 2d 214, 229 (D. Conn. 2001) citing *Kirschner v. Klemons*, 225 F.3d 227, 238 (2d Cir. 2000). Abstention is thus inappropriate where money damages are sought, even when the state proceeding raises identical issues and the court would otherwise dismiss identical claims for injunctive and declaratory relief. *See id.*

and here the only category Defendant contends applies is the one satisfying two requirements: (1) a civil action akin to a criminal enforcement; and (2) of a type to which *Younger* has been extended. Doc. 13-1 at 5. *See Sprint*, 134 S. Ct. at 592; *ACRA Turf Club, LLC v. Zanzuccki*, 748 F.3d 127, 138 (3d Cir. 2014). Neither part of this definition of the second *Sprint* category applies here.

1. The State Action Is Not Akin To A Criminal Action

Defendant's only argument that the State Action has any analogue in the Vermont criminal statutes is a citation to a false advertising statute, 13 V.S.A. § 2005. But that statute has no relevance here, as, by its terms, it relates to communications regarding "merchandise, real estate, securities, or services." *Id.* The statute has no relevance at all to patents, or to communications seeking to identify or confirm the existence of an ongoing civil tort.⁴⁹ Simply put, there is no analogous criminal statute relevant to sending patent infringement inquiry letters, and the State Action simply does not fall within one of the three *Younger* categories identified by the *Sprint* Court on that basis. This is particularly so given the emphasis of the *Sprint* Court that the *Younger* categories are to be considered narrow in their scope. *Sprint*, 134 S. Ct. at 591-92.

Defendant cites *Huffman* and *Trainor* as support that the state proceeding in this case is quasi-criminal in nature. *See* Doc. 13 at 6-7. But those decisions are readily distinguishable from this case. The district court in *NCAA v. Corbett*, 2014 U.S. Dist. LEXIS 80954, at *23-24 (M.D. Pa. June 12, 2014), similarly distinguished those two cases. It found that in its case, even though the state proceeding in *NCAA* was brought by state actors in their official capacities, the state proceeding did not qualify as a "quasi-criminal" civil enforcement proceeding because the state act sought to be enforced had no similarity to any state criminal law, and the state actors could not have initiated a criminal action against the plaintiff. In contrast, the *NCAA* court analyzed

⁴⁹ There is no dispute here, nor could there be, that the letters at issue in the State Action were sent inquiring whether the recipient was infringing MPHJ's patents, were emphatically clear that nothing was sought from a non-infringer, and offering a license to infringers. The State Action is that these letters cannot be sent to companies too small to afford an attorney, cannot be sent without first having in-hand proof of infringement, and that certain representations about what constitutes a fair royalty were deceptive. *See* No. 2:14-cv-192, Doc. 7 at ¶¶ 56 & 57.

both *Huffman* and *Trainor*, and concluded in both cases the state actor could have initiated a criminal enforcement action instead. *See id.* at *18-20. Here, contrary to Defendant’s implausible reference to Vermont’s false advertising statute, there is no criminal statute that he could have asserted against MPHJ’s patent infringement inquiry letters. Thus, the state proceeding cannot be considered “quasi-criminal” in nature to satisfy *Sprint* to subject this case to *Younger*.

2. The State Action Is Not Of A Type For Which The Supreme Court Has Previously Extended *Younger*

Even if the State Action could be considered “akin” to a criminal action, it would fail to fall within one of the three recognized *Sprint-Younger* categories because the very premise underlying *Younger* does not apply in this case. In short, the State Action is not something that has ever, or would ever, be a proceeding that would justify a federal court from ignoring its “unflagging duty” to decide cases within their jurisdiction. As the Supreme Court explained in *Sprint*, the premise behind *Younger* (and the cases that follow *Younger*) is that federal courts, in situations where the state is enforcing an unconstitutional criminal statute, should defer to see if the state courts find the statute unconstitutional rather than becoming involved before that final determination is made. But there are several caveats to this, at least three of which apply here.

(a) The Courts Have Not Extended *Younger* Where The State Action Seeks To Regulate Patent Enforcement, A Power Over Which The Constitution Allocates Sovereignty To The Federal Government, Not The States – And Thus A Matter In Which There Is Not An Important State Interest

As an initial matter, it is clear that *Younger* only applies to matters in which the State has an “important state interest,” but this term can be easily misunderstood. The Supreme Court, in limiting *Younger* in *Sprint*, made it clear that the requirement that there be an important state interest is not directed towards some “lofty level of generality” where the court could find “that nearly anything could at least touch on something like the ‘general welfare,’ ‘the public good,’ or ‘public safety,’ as “[t]his would render a nullity the requirement that we ensure that the state

interest be important.” *Harper v. PSC*, 396 F.3d 348, 353 (4th Cir. 2005).⁵⁰ Instead, state interests are only classified as important under *Younger* if those interests “reflect the inalienable attributes of sovereignty retained by American states.” *Id.* Here, the underlying action involves enforcement of patent rights by a patent owner disfavored by Vermont, and it is clear that dominion over patents, and their enforcement, is not an attribute of sovereignty retained by the American states. Indeed, the Founders expressly put the power to promulgate and regulate patents within the exclusive power of the Federal Government,⁵¹ expressly recognizing the interstate protectionism that would run rampant otherwise – a protectionism on rampant display in this case. Importantly, the burden is on Defendant to establish that an important state interest is implicated in the State Action. *See Philip Morris, Inc. v. Blumenthal*, 123 F.3d 103, 106 (2d Cir. 1997). The Defendant has not met his burden here.

The importance of the generic proceedings to the State is not the relevant question. *Harper*, 396 F.3d at 354. Instead, the appropriate question here is whether Vermont has a substantial, legitimate interest in regulating federal patent law. *See id.* It does not.⁵² The central

⁵⁰ The Supreme Court in *Sprint* cautioned against the emphasis courts have put on the important state interest prong from *Middlesex*, in explaining that *Younger* would apply “to virtually all parallel state and federal proceedings, at least where a party could identify a plausibly important state interest,” and such a result would be “irreconcilable with our dominant instruction that, even in the presence of parallel state proceedings, abstention from the exercise of federal jurisdiction is the exception, not the rule.” *Sprint*, 134 S. Ct. at 593.

⁵¹ U.S. Const., Art. 1, Sec. 8, Cl. 8. *See Florida Prepaid*, 527 U.S. at 651; *United States v. Hohri*, 482 U.S. 64, 75 (1987).

⁵² While Defendant claims that the State Action is about consumer protection, and that the State has an important interest in protecting consumers from unfair and deceptive business practices, it is clear that the State Action is truly about the regulation of patent enforcement activities in Vermont, despite Defendant’s best efforts to craft his complaint in such a way to avoid raising patent issues, as admitted by Defendant. *See Manitsky Decl., Exh. 2.* And, importantly, “[i]n order to ascertain the ‘generic proceeding’ involved in the action brought by the state, we cannot focus solely or chiefly upon the style of the state’s pleading, such as the particular causes of action pleaded or statutes invoked. We must consider the underlying nature of the state proceeding on which the federal lawsuit would impinge.” *Philip Morris*, 123 F.3d at 106 (citation omitted). Here, the nature of that case is the unlawful regulation of federal patent law. And, even if this Court agrees with Defendant that the State Action is solely about consumer protection, there would still be no important state interest, as explained by the Second Circuit in *Philip Morris*. *See id.* at 106 (recognizing that although the state pled its action in state court as an enforcement action pursuant to the CUTPA to prevent deception and unfair and anticompetitive business practices, the underlying claim was more accurately classified as a subrogation action grounded in tort because the primary aim of the state was to obtain

purpose of the abstention analysis has always been one of comity. “Since *Younger* itself, it has been understood that the interests of both the national and state governments are advanced when federal courts abstain from interfering with the kind of ongoing state proceedings which, simply stated make a state a state . . . In other words, that which must be respected through comity is identical to the traditional areas of paramount state concern.” *Id.*⁵³ (citation and quotations omitted). It is well-settled that patents are governed solely by federal law – as even Defendant has publicly admitted. *See* Manitsky Decl., Exh. 2. Defendant has inappropriately attempted to use Vermont statutes to regulate patents, which are already solely regulated by federal law. Simply put, there is no state interest in regulating the enforcement of patent rights by Vermont, as it has never been an area of paramount concern to the states.⁵⁴ As such, the principles of comity that govern abstention are in no way affected by this Court refusing to abstain.

Because the State does not have legitimate or important interests in regulating federal patent law or interstate commerce,⁵⁵ abstention is inappropriate here.⁵⁶ “When there is an

reimbursement from the state defendant for expenditures caused by its allegedly tortious conduct, which was akin to a private action of little importance to the state).

⁵³ Examples of such interests include: criminal law, state education, family relations, property law concerns, such as land use and zoning questions and matters relating to public health such as state license issues concerning medical professionals. *See id.* at 352-54.

⁵⁴ This is true especially in the circumstances here, where Defendant has affirmatively disavowed any required pleading or proof of objective and subjective baselessness.

⁵⁵ The State and Defendant likewise do not have an interest in impeding upon interstate commerce. *Harper*, 396 F.3d at 355-56. As explained, the BFAPIA violates the Dormant Commerce Clause, at least because it provides benefits to Vermont businesses with respect to use of patents not available to businesses in other states, and in that it causes Vermont businesses to be treated differently than those similarly situated outside of Vermont. The BFAPIA is at odds with the very purpose of the Dormant Commerce Clause, which is to “protect[] all states by ensuring that no state erects the kind of barriers to trade and economic activity that threaten[] the survival of a fledgling country under the Articles of Confederation.” *Id.* at 356. And, it is undoubtedly clear that interstate commerce is not one of the primary interests of the states. *Id.*

⁵⁶ It is also worth noting that an additional reason why the State Action does not involve any important state interest is that the Vermont Supreme Court has already held that the VCPA does not apply to business transactions, of which resolution of infringement would be one. *See Foti Fuels, Inc. v. Kurrle Corp.*, 2013 VT 111 (Vt. 2013). Thus, there is no important state interest under the Vermont law asserted in the State Action. Indeed, it was at least in part for this reason that the State enacted the BFAPIA. But even assuming the VCPA had some relevance to regulating how and in what manner patent owners can seek to enforce their federal patent rights against infringers, that interest is simply not an important state interest, particularly when compared to the federal interest. Defendant cites several cases where *Younger* was applied to

overwhelming federal interest – an interest that is as much a core attribute of the national government as the list of important state interests are attributes of state sovereignty in our constitutional tradition – no state interest, for abstention purposes, can be nearly as strong at the same time.” *Id.* citing *Transouth Fin. Corp. v. Bell*, 149 F.3d 1292, 1296 n.1 (11th Cir. 1998). This is because “[t]he notion of comity, so central to the abstention doctrine, is not strained when a federal court cuts off state proceedings that entrench upon the federal domain.” *Id.* citing *Zahl v. Harper*, 282 F.3d 204, 210 (3d Cir. 2002). *See also Hi Tech Trans, LLC v. New Jersey*, 382 F.3d 295, 307 (3d Cir. 2004) (“where the federal interest is so strong that it preempts state law, there will rarely be a state interest sufficient to justify a federal court’s decision to abstain from its ‘unflagging obligation’ to exercise its jurisdiction”).

Here the Court is confronted with a case of first impression. The issue is not whether a state consumer protection action involving state regulated arenas such as criminal law or state education, may be the subject of *Younger* abstention. Instead, here the issue is whether the Court should abstain under principles of comity where the State Action seeks to interfere with a patent owner’s right to enforce its patents. Congress has made it emphatically clear that these standards should be nationally uniform that it created an entire federal appellate court to bring uniformity even among the various regional circuits. *See Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 651 (1999). A fair reading of *Sprint*, *Younger*, and the cases in between, compel the conclusion that the federal courts should not abstain from a suit brought to protect the constitutional and federal rights of a patent owner, particularly where the suit is being prosecuted in defiance of the federal court’s own orders in the same case.

state consumer protection proceedings. But none of those have relevance here. Quite simply, when the *Sprint* Court narrowly defined *Younger* to civil actions akin to criminal proceedings where *Younger* had been previously applied, there had never been a case involving a state actor attempting to interfere with the enforcement of a federal patent right. The cases cited by Defendant did not include any consideration of the principles underlying *Younger*, and whether principles of comity require federal courts to defer to state courts in the regulation of enforcement of patent rights, rights preserved to the federal government in the U.S. Constitution.

(b) The Supreme Court Has Left Open The Question Of Whether *Younger* Can Apply To The Situation Here, Where There Is A Facially Conclusive Claim Of Federal Preemption, And This Court Should Decline To Abstain On This Basis As Well

The Supreme Court in *New Orleans Pub. Serv., Inc. v. Council of New Orleans*, 491 U.S. 350 (1989) (“*NOPSI*”) left open the question of whether a facially conclusive claim of federal preemption is sufficient to render abstention inappropriate. *See id.* at 367. In *NOPSI* the Court left the question open because the proceedings at issue there did not meet that description. *Id.* In contrast, the proceedings at issue here concern facially conclusive claims of federal preemption, which render abstention inappropriate in this case. Here, as explained, the BFAPIA is on its face plainly invalid in that the Act allows for a patent owner to be liable without the required prerequisite finding of objective and subjective baselessness that is required to avoid preemption as explained in *Globetrotter*.⁵⁷ Therefore, this is exactly the type of facially conclusive claim of federal preemption that is sufficient to render abstention inappropriate. Accordingly, a holding that abstention is inappropriate for this reason will protect the interest already expressed by the Court that state courts cannot interfere with federal patent enforcement.

(c) The Courts Have Never Extended *Younger* To Cause The Federal Plaintiff Irreparable Harm, As It Would Here

Courts have likewise refused to extend *Younger* in situations, such as this one, where it would cause the federal plaintiff irreparable harm. *See, e.g., NOPSI*, 491 U.S. at 366; *Younger*, 401 U.S. at 43-44, 53-54. Because a patent is time-limited, it has been already held by one Federal Court that interference with MPHJ’s attempt to enforce its patent causes irreparable injury. *See Activision TV, Inc. v. Pinnacle Bancorp, Inc.*, 2014 U.S. Dist. LEXIS 4455, at *8-10 (D. Neb. Jan. 14, 2014). Here, permitting an unconstitutional State Action to proceed in full before MPHJ is allowed to seek a review by the federal courts presents an irreparable harm, because the time lost to delay is not reparable. As such, for this additional reason and the irreparable injury MPHJ would face if this Court abstained, *Younger* does not apply.

⁵⁷ Further, Defendant has proclaimed that he will not plead or prove the required baselessness. The same points are true for the VCPA.

3. Even If *Younger* Might Otherwise Apply To The Portion Of MPHJ's Case Challenging The VCPA, Well-Defined Exceptions To *Younger* Apply Here

As explained above, the State Action is not one which falls within a *Sprint* category. However, even if it otherwise did, the Supreme Court has established several exceptions to *Younger*, three of which apply here to compel rejecting abstention: (1) bad-faith prosecution, (2) extraordinary circumstance creating a great and immediate irreparable injury, and (3) the application of a statute that flagrantly violates express constitutional prohibitions. *Phelps v. Hamilton*, 59 F.3d 1058, 1064-65 (10th Cir. 1995). Thus, the *Younger* doctrine which narrowly proscribes this Court's "unflagging obligation" to exercise jurisdiction does not apply here.

(a) The State Action Is Unconstitutional And Was Instigated To Deter Constitutionally Protected Conduct

The Supreme Court has asserted that a federal court should not abstain when the state proceeding is motivated by bad faith, a desire to harass, or an intent to deter constitutionally protected conduct. *See Younger*, 401 U.S. at 53-54; *Huffman v. Pursue, Ltd.*, 420 U.S. 592, 611 (1975); *Cullen v. Fliegner*, 18 F.3d 96, 103-04 (2d Cir. 1994). "[F]or a federal plaintiff to invoke the bad faith exception, 'the party bringing the state action must have no reasonable expectation of obtaining a favorable outcome.'" *Diamond "D" Constr. Corp. v. McGowan*, 282 F.3d 191, 199 (2d Cir. 2002) citing *Cullen*, 18 F.3d at 103.

Defendant's actions here plainly were intended to deter constitutionally protected conduct. As has been noted, sending patent enforcement correspondence is protected unless baselessness is proven. Defendant refuses to prove baselessness, and thus plainly intends to deter conduct which is constitutionally protected. Plainly, given this Court's finding that *Globetrotter* applies, Defendant cannot succeed in the State Action where he refuses to (and cannot) make the showing that *Globetrotter* requires.

Moreover, it is also recognized that *Younger* does not apply where the actions are taken in bad faith. Here, there are indisputable elements of bad faith. First, prior to filing suit, the AG received an abundance of discovery from MPHJ in the form of MPHJ's responses to the State's CID, which made clear that MPHJ's conduct certainly was not objectively or subjectively

baseless. Second, prior to bringing the suit, Defendant had been made aware of this predicate First Amendment requirement, which he admits having ignored.⁵⁸ Third, Defendant continues to prosecute MPHJ even after this Court agreed *Globetrotter* applies,⁵⁹ and Defendant admits he has no intention of complying with *Globetrotter*.⁶⁰ Later, the AG made repeated political statements demonstrating that the state suit was filed solely to harass MPHJ and deter non-practicing entities like MPHJ from engaging in constitutionally protected conduct, that is, First Amendment rights to enforce its patents against infringers. *See* Manitsky Decl., Exh. 2.⁶¹ Thus, contrary to Defendant's assertions in his Motion to Dismiss (Doc. 19-1 at 5-6), it is clear that Defendant cannot succeed in the State Action, and pursues it solely to harass an entity engaged in lawful activity which Defendant disfavors. *See, e.g.*, Doc. 18, Count I-F, Count II-E.⁶² As such, the bad faith exception should be applied to bar abstention here. *Cullen*, 18 F.3d at 103.

(b) Irreparable Harm Would Result From A *Younger* Abstention

Younger also does not apply where it would cause irreparable harm. As MPHJ explained above, because its patents are a time-limited asset, the delay incurred in enforcing those patents due to Defendant's threat of suit for future activity, and continuance with suit for past activity, presents irreparable harm. As such, even if the conditions for *Younger* were otherwise met

⁵⁸ Defendant has acknowledged publicly that federal preemption laws are an obstacle to Vermont's interference of constitutionally protected patent enforcement activities. Manitsky Decl., Exh. 2.

⁵⁹ As this Court has made it the law of the case that Defendant has to plead and prove objective and subjective baselessness, and as Defendant has repeatedly disavowed any intention of doing so, and even amended the state court complaint after this Court made it so, MPHJ's allegations cannot be considered "akin to those presented in *Schlagler*," Defendant persisted with his retaliation claims by filing an amended state court complaint, knowing that his claims are preempted and will not succeed. Doc. 19-1 at 6.

⁶⁰ *See Vermont v. MPHJ Technology Investments, LLC*, 2014 U.S. Dist. LEXIS 52132, at *25 & n.5 (D. Vt. Apr. 14, 2014). *See also* No. 14-cv-137, Doc. 10-1 at 27 (Fed. Cir. June 9, 2014) (asserting that having to prove baselessness is "illogical" and "irrelevant").

⁶¹ In this interview, Defendant repeatedly made statements indicating that the state suit was brought in bad faith for the purpose of making Vermont a safe haven for businesses to infringe patents owned by NPE's with impunity. The AG even admitted that he only acted against patent trolls because "a group of tech-savvy Vermont companies...asked if it was possible for Vermont to take action to make Vermont a less friendly environment for patent trolls." *Id.*

⁶² And, contrary to Defendant's unsupported assertions, MPHJ has sufficiently pled Defendant's retaliatory conduct in its Amended Complaint. *See* FED. R. CIV. P. 8.

(which they are not), abstention would be inappropriate here.

(c) ***Younger* Also Does Not Apply Where, As Here, The BFAPIA Flagrantly Violates Express Constitutional Prohibitions**

In addition to the bad faith actor abstention exception, *Younger* itself also created an exception to abstention when the challenged statute is “flagrantly and patently violative of express constitutional prohibitions in every clause, sentence and paragraph, and in whatever manner and against whomever an effort might be made to apply it.” *Younger*, 401 U.S. at 53-54. Courts have declined to abstain under *Younger* in situations where the statute underlying the prosecution was patently unconstitutional because it violated federal case law interpreting the First Amendment and the Equal Protection Clause. *See, e.g., Nadeau v. Charter Township of Clinton*, 827 F.Supp. 435 (E.D. Mi.1992); *Tolbert v. City of Memphis*, 568 F. Supp. 1285, 1289 (W.D. Tenn. 1983); *Orazio v. Town of North Hempstead*, 426 F.Supp. 1144, 1147 (E.D.N.Y.1977). Likewise, here the BFAPIA is patently unconstitutional because it violates federal case law interpreting the First Amendment, and is being applied in a manner that violates the Equal Protection Clause and Dormant Commerce Clause.

As alleged in MPHJ’s Amended Complaint, the Act is unconstitutional, first and foremost, because it is preempted by federal law, as that law has been interpreted in *Globetrotter*. Simply put, *Globetrotter* (and *Matthews*) provides that a patent owner is immune under the First Amendment from the assertion of state law against its communications, unless it is both pled and proven as a predicate that the communication is objectively and subjectively baseless as to infringement or validity. *Globetrotter*, 362 F.3d at 1374-76. The BFAPIA requires no such predicate showing in order to hold a patent owner liable under the Act for sending patent infringement communications to infringers.⁶³ It is thus unconstitutional *ab initio*. *See Matthews*

⁶³ Instead, the Act points to a number of factors that a court may consider as “evidence that a person has made a bad faith assertion of patent infringement,” only one of which is a claim of patent infringement that is meritless. *See* 9 V.S.A. § 4197(b). This alone shows that every aspect of the Act is unconstitutional because it allows for a finding of bad faith without meeting the requirements of federal preemption law.

Int'l Corp., 695 F.3d at 1332.⁶⁴ As it is clear that the BFAPIA is flagrantly violative of express constitutional prohibitions, abstention is not warranted for any claims brought under it.^{65,66}

C. If This Court Finds Abstention, It Should Choose To Stay This Action

In the event this Court were to find abstention appropriate, which it is not, the proper course would be stay this federal action pending the conclusion of the state proceedings, rather than dismiss altogether. In the State Action Defendant and the State have argued that MPHJ's federal counterclaims must be dismissed because Defendant and the State have immunity from them. *See, e.g.*, No. 2:14-cv-192, Doc. 25-1 at 3-8. The state court has not yet had the opportunity to decide whether or not it agrees with the State and Defendant's immunity argument. However, if the state court were to agree, clearly MPHJ's federal claims will not be heard in state court. And, when there is an uncertainty as to whether or not a state court will hear federal claims, federal courts should choose to stay the federal proceeding, rather than dismiss it, so as to protect against the possibility that the plaintiff could be deprived of the opportunity to present the merits of his federal claims. *See, e.g., Kaweck v. County of Macomb*, 367 F. Supp. 2d 1137, 1149-59 (E.D. Mich. 2005). Further, if the state court were to disregard this Court's finding that *Globetrotter* applies, MPHJ would be entitled to pursue its claims in federal court. *Ebiza, Inc. v. City of Davenport*, 434 F. Supp. 2d 710, 727 (S.D. Iowa 2006). This presents an additional reason to stay, rather than dismiss, portions of MPHJ's suit were it subject to *Younger*.

Further, regarding MPHJ's takings claim seeking money damages, federal courts have

⁶⁴ The Act is also unconstitutional in that it treats non-practicing entities like MPHJ differently than universities and inventors, whose ownership the Act treats as "evidence that a person has not made a bad faith assertion of patent infringement." 9 V.S.A. § 4197(c). It also bars the enforcement of *Judin* patents because it requires that prior to sending an inquiry letter, the patentee must conduct an analysis comparing the infringer's products and include specific factual allegations regarding infringement in the communication. 9 V.S.A. § 4197(b).

⁶⁵ Again, Defendant's only response in this regard is his repeated contention that MPHJ has not pled facts alleging that the BFAPIA is unconstitutional. Doc. 19-1 at 6-7. Merely reading the Amended Complaint makes it clear that MPHJ has more than sufficiently done so.

⁶⁶ For all these reasons, the Court can see that Defendant's citation to *MyInfoGuard, LLC v. Sorrell*, 2012 WL 5469913, at *8 (D. Vt. Nov. 9, 2012) is misplaced. That case did not involve patents, over which states have no sovereignty interest, and for which delay presents irreparable harm. Nor did it involve a statute and conduct that was facially unconstitutional, as is present in this case. Finally, none of the exceptions to *Younger* applied in that case, as they do apply here.

chosen to stay, rather than dismiss, any claims seeking monetary relief. *See, e.g., Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 719 (1996) (where money damages are sought, abstention principles “only permit a federal court to enter a stay order that *postpones* adjudication of the dispute, not to dismiss the federal suit altogether”).⁶⁷ Accordingly, if this Court chooses that abstention is appropriate here (which it is not), the Court should stay the federal action.

V. MPHJ’S FEES CLAIMS ARE NOT BARRED

Defendant argues last that any award of “damages” to MPHJ related to the ongoing State Action is barred by § 1983 and sovereign immunity. Doc. 19-1 at 22.⁶⁸ Defendant is wrong for the simple reason that he incorrectly characterizes MPHJ’s fee request as “money damages.” To be clear, MPHJ seeks its fees pursuant to 42 U.S.C. § 1988. *See* Doc. 18, Counts I-F & II-E. Contrary to Defendant’s assertions, such an award is not considered “money damages,” and, as a result, sovereign immunity does not bar MPHJ’s recovery. *See* 42 U.S.C. § 1988; *Elam v. City of Aurora*, 2012 U.S. Dist. LEXIS 129678, at *2 (D. Colo. Sept. 12, 2012) (“Section 1988... authorizes an award of attorney’s fees including expert fees to the prevailing party in a section 1983 action”). Defendant has no immunity from such claims. *See Huang v. Johnson*, 251 F.3d 65, 70 (2d Cir. 2001). Should MPHJ prevail on its § 1983 claims, it will be entitled to its fees under § 1988. *Lefemine v. Wideman*, 133 S. Ct. 9 (2012).⁶⁹ Accordingly, the relief MPHJ seeks is neither barred by § 1983, nor any claim of sovereign immunity.

CONCLUSION

For the foregoing reasons, MPHJ respectfully requests that the Court deny Defendant’s Motion to Dismiss.

⁶⁷ Where plaintiff seeks a blend of equitable and monetary relief, the case should not be dismissed. *See James v. Hampton*, 513 Fed. Appx. 471 (6th Cir. 2013) (reversing and remanding because the district court should have stayed, rather than dismissed, the case given that the plaintiff sought monetary damages in addition to equitable relief); *Carroll v. City of Mount Clemens*, 139 F.3d 1072, 1075-76 (6th Cir. 1998) (holding same in a § 1983 action).

⁶⁸ He does not, however, argue that the relief MPHJ seeks with respect to this suit is barred.

⁶⁹ In any event, as explained by MPHJ, the State has waived its immunity by bringing suit against MPHJ. *See* No. Doc. 26 at 18-22. And, as Defendant is a party to that litigation in his official capacity, he can be liable for fees under § 1988 if MPHJ prevails on its § 1983 claim.

Respectfully submitted,

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