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BY ELECTRONIC MAIL AND U.S. MAIL

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Re: Electronic Frontier Foundation / *Stupid Patent of the Month*

Dear Sandy:

As you know from my letter of May 21, we represent the Electronic Frontier Foundation and Daniel Nazer (collectively, the “EFF”). This is our response to your letter of May 14, 2015 (the “Letter”) served on behalf of your client, Scott A. Horstemeyer, Esq. (“Horstemeyer”).

Your Letter demands that EFF “immediately publish retractions...publish an editorial expressly repudiating the false, defamatory, and malicious statements” contained in “*Stupid Patent of the Month: Eclipse IP Casts A Shadow Over Innovation.*” After due consideration, EFF respectfully declines your request to issue a retraction or editorial, and stands by the opinions expressed in the Article.

Further, as my letter of May 21 informed you that EFF would be responding to your Letter this week, we were disappointed to learn that your client sued EFF in State Court of Fulton County this past Tuesday, May 26, 2015. Horstemeyer v. Electronic Frontier Foundation et. al, Case No. 2015-cv-261243. We ask that it be dismissed before it is served on EFF and Mr. Nazer, and before they are forced to incur further legal fees (which EFF will seek if forced to litigate).

I. The Article Is Protected Opinion.

The Article is opinion that is absolutely protected by the First Amendment to the United States Constitution and state law, including that of Georgia and California. As your Letter does not identify any specific statement of fact that is provably false, it instead appears that your client takes issue with EFF expressing its belief that: Mr. Horstemeyer sought and was granted a “stupid” patent, - U.S. Patent No. 9,013,334 (the “**334 Patent**”); that he appeared to “gam[e] the patent system” in doing so; and he may have acted unethically. While you may disagree with this opinion, it is not actionable. See, e.g., Atlanta Humane Soc. v. Mills, 274 Ga.App. 159, 166 (2005) (“A writer cannot

be sued for simply expressing his opinion of another person, however unreasonable the opinion or vituperous the expressing of it may be.”).

Specifically, while there is no “wholesale defamation exemption” for opinion per se, statements that do not assert objectively false facts, like rhetorical hyperbole, or statements that are “clearly recognizable as pure opinion because their factual premises are revealed,” are not actionable under Georgia or California law. See, e.g., Jaillet v. Georgia Television Co., 238 Ga. App. 885, 890 (1999); Carver v. Bonds, 135 Cal. App. 4th 328, 348 (2005). The Article is non-actionable opinion on two levels.

A. The Article As A Whole Is Clearly Subjective Opinion And Hyperbole, And Therefore Is Not Actionable.

First, the gist of the Article as a whole – that Mr. Horstemeyer “gamed the system” – is the type of subjective opinion and rhetorical hyperbole that is absolutely protected from suit. E.g., Gast v. Brittain, 277 Ga. 340 (2003) (“Gast’s assertions regarding ‘immorality’ and the ‘ideals of Scouting’ are plainly the sorts of opinions that are incapable of being proved false. For such matters, ‘we depend for their correction not on the conscience of judges or juries, but on the competition of other ideas.’”). Indeed, the title of the Article – “Stupid Patent of the Month” obviously signals that the content of the Article is editorial and opinion in nature. See, e.g., Partington v. Bugliosi, 56 F.3d 1147 (9th Cir., 1995) (statements in book and television docudrama concerning attorney’s conduct in highly publicized trial were not objective statements of fact that could support defamation claim); Phantom Touring, Inc. v. Affiliated Publ’ns, 953 F.2d 724, 729 (1st Cir. 1992) (“The sum effect of the format, tone and entire content of the article to make it unmistakably clear that [the author] was expressing a point of view only. As such, the challenged language is immune from liability.” (cited with approval in Jaillet)).

Further, by questioning Mr. Horstemeyer’s choices and motives in prosecuting that ‘334 Patent, the Article is the type of publication about the merits of lawsuits, including an attorney’s actions and motives in prosecuting such lawsuits, that courts consistently rule are not actionable. E.g., Evans v. Sandersville Georgia, Inc., 296 Ga. App. 666, 669 (2009) (statement that lawsuits were “lame” and “frivolous” was non-actionable opinion). See also Monge v. Madison County Record, 802 F. Supp.2d 1327 (N.D.Ga. 2011) (assertion that the action of an attorney “torpedoed” his client’s case was non-actionable hyperbole); Ferlauto v. Hamsher, 74 Cal.App.4th 1394, 1404 (1999) (dismissing defamation claim without leave to amend and holding that the phrases “creepazoid attorney” and “loser wannabe lawyer” are “classic rhetorical hyperbole which cannot reasonably [be] interpreted as stating actual facts”); Kirsch v. Jones, 219 Ga. App. 50, 53 (1995) (statement by attorney in Fulton County Daily Report that plaintiff “bungled” case, committed malpractice and should not “have touched case with a ten-foot pole” were “merely expressions of opinion and hyperbole” that were not actionable).

B. The Opinions Claimed As Defamatory Are Based On Truthful Disclosed Facts And Therefore Not Actionable.

Second, the Article’s opinions are based on disclosed facts, further making it not actionable under Georgia law. See Jaillet, 238 Ga. App. at 890 (“if an opinion is based on facts already

disclosed in the communication, the expression of opinion implies nothing other than the speaker's subjective interpretation of the facts."¹ These disclosed facts are:

a.) on behalf of himself (as inventor) and Eclipse IP LLC ("Eclipse"), Mr. Horstemeyer submitted and prosecuted the '334 Patent, which has the title of "Notification systems and methods that permit change of quantity for delivery and/or pickup of goods and/or services";

b.) that Eclipse owns a patent family of more than 20 patents which claim related "notification systems" and claim priority back to a 2003 provisional application;

c.) on September 4, 2014, Judge Wu of the Central District of California issued an Order in Eclipse IP LLC v. McKinley Equipment Corp., No. CV 14-154-GW (C.D. Cal.), that ruled that certain claims of other patents submitted and prosecuted by Mr. Horstemeyer failed to meet the requirements of 35 U.S.C. § 101 because they failed to claim patentable subject matter pursuant to Alice Corp. Pty. Ltd., v CLS Bank, Int'l, 134 S. Ct. 2347 (2014);² and

d.) "from what [EFF] can tell from the Patent Office's public access system PAIR, Horstemeyer did not disclose Judge Wu's decision to the examiner during the prosecution of the '334 patent."

Your Letter does not take issue with the truth of the above statements.

Instead, your Letter takes issue with the conclusions that EFF draws from these facts: specifically, that the '334 Patent and the patents addressed by Judge Wu come from the same patent family, that Judge Wu invalidated patent claims in his Order that are similar if not identical to ones made in the '334 Patent, and Mr. Horstemeyer should have disclosed Judge Wu's Order to the PTO during prosecution of the '334 Patent due to its invalidating the substantially similar claims. Those stated conclusions; however, are opinion, and because they are based on disclosed truthful facts, they are not actionable. Jaillet, 238 Ga. App. at 890; Partington, 56 F.3d at 1156-57.

¹ See generally Moyer v Amador Valley Joint High Sch., 225 Cal App. 3d 720, 724-25 (1990) ("The dispositive question for the court is whether a reasonable factfinder could conclude that the published statements imply a provably false factual assertion. The answer to that question is determined by applying the 'totality of the circumstances' test, a review of the meaning of the language in context and its susceptibility of being proved true or false.").

² Mr. Horstemeyer, along with being the prosecuting attorney, is the sole named inventor of the '334 Patent. This patent claims priority to, *inter alia*, U.S. Patent No. 7,119,716 (the "'716 Patent"), which is also owned by Eclipse. The '334 Patent is part of a larger family of over 20 patents and applications stemming from the application that led to the '716 patent. These include U.S. Patent Nos. 7,064,681 and 7,113,110 (the "'681" and "'110" patents, respectively). In his September 4 Order, Judge Wu ruled that claims 1, 2, 4, 6, 7, 18, 19, 20, 41, 43, 44, 45, and 46 of the '716 patent; claims 1, 3, 4, and 6 of the '681 patent; and claims 1, 2, 7, and 8 of the '110 patent failed to meet the requirements of 35 U.S.C. § 101. As Eclipse ultimately did not appeal Judge Wu's decision, it is now a final, non-appealable judgment invalidating the aforementioned claims of the '716, '681, and '110 patents. See Reyn's Pasta Bella, LLC v. Visa USA, Inc., 442 F.3d 741, 746 (9th Cir. 2006) (noting that a court's approval of a settlement constitutes a final judgment on the merits); see also Blonder-Tongue Labs. v. Univ. of Ill. Found., 402 U.S. 313 (1971) (holding that a patentee may be collaterally estopped from relitigating the issue of a patent claim's validity).

II. The Specific Statements Identified In Your Letter Are Not Actionable.

Even though publications must be taken and considered as a whole, see Moyer and Jaillett, supra., the specific statements identified in your Letter are also not actionable.

A. “Patent applicants and their attorneys have an ethical obligation to disclose any information material to patentability.”

The above general statement is absolutely true,³ and your Letter does not prove otherwise.

Instead, your Letter first disputes whether or not Judge Wu’s decision was “material” to the ‘334 Patent application. Whether Judge Wu’s decision was or is legally “material” to the ‘334 Patent, however, is an opinion and criticism concerning a public issue which is not provably false, as discussed above, and it cannot serve as the basis for a defamation lawsuit or else the broad protections for legitimate criticism under the First Amendment would be impermissibly chilled. See, e.g., Underwager v. Channel 9 Austl., 69 F.3d 361, 366 (9th Cir. 1995) (finding accusations that plaintiff in was “lying” in court proceedings were nonactionable opinion); Moldea v. New York Times Co., 22 F.3d 310, 315 (D.C. Cir. 1994) (“[T]he First Amendment requires that the courts allow latitude for interpretation.”). Cf. Omincare, Inc. v. Laborers Dist. Council Const. Ind. Pension Fund, 135 S.Ct. 1318, 1326 (March 24, 2015) (statement that “I believe our marketing practices are lawful” cannot be held false statement of fact if speaker “actually did think that”). Indeed, EFF is not alone in its criticism of Mr. Horstemeyer and Eclipse: two lawsuits were recently filed against Eclipse alleging that it engaged in “inequitable conduct” by failing to disclose Judge Wu’s decision during prosecution of the ‘334 Patent. Foursevens LLC v. Eclipse IP, LLC, Case No. 2:15-cv-3923 (filed May 22, 2015, C.D. Cal.); Elevengear LLC v. Eclipse IP, LLC, Case No. 3:15-cv-02278 (filed May 20, 2015, N.D. Cal.).

Further, your Letter’s apparent assertion that Mr. Horstemeyer only had a “legal duty to disclose information relat[ing] to prior art,” is simply wrong. As you know, “each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith” including a “duty to disclose ... all information known to that individual to be material to patentability.” 37 C.F.R. § 1.56(a).

This duty is not limited to disclosing “prior art,” and instead extends to “any information that a reasonable examiner would substantially likely consider important.” MPEP 2001.04 (quoting Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., 326 F.3d 1226, 1234 (Fed. Cir. 2003)). This

³ For example, 37 C.F.R. § 1.56 sets forth a legal duty to disclose “all information known to that individual to be material to patentability.” 37 C.F.R. § 10.23(c)(10) provides that a knowing violation of 37 CFR § 1.56 is a violation of the Patent and Trademark Office’s ethical rules. Further, practitioners have a duty of candor toward the PTO. 37 C.F.R. § 11.303. This duty requires practitioners to disclose legal authority known to the practitioner if such authority is not otherwise disclosed. Id. at § 11.303(a)(2). The duty also requires practitioners to inform the PTO of all material facts relevant to patentability. Id. at § 11.303(d). Practitioners are also bound to refrain from “conduct involving dishonesty, fraud, deceit or misrepresentation” and “conduct that is prejudicial to the administration of justice.” 37 C.F.R. §§ 11.804(c), 11.804(d).

“important information” includes decisions invalidating patent claims that are substantially similar to patent claims concurrently being asserted in a pending patent application. See, e.g., Dayco Prods., Inc. v. Total Containment, Inc., 329 F.3d 1358, 1368 (Fed. Cir. 2003) (“We hold that a contrary decision of another examiner reviewing a substantially similar claim meets the Akron Polymer “reasonable examiner” threshold materiality test of ‘any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.’”) (cit. omit). See also Larson Mfg. Co. of S.D., Inc. v. Alumnat Prods., Ltd., 559 F.3d 1317, 1337-38 (Fed. Cir. 2009); McKesson Information Solutions v. Bridge Medical, 487 F.3d 897, 913 (Fed. Cir. 2007) (applying “reasonable examiner” standard). Cf. PPC Broadband, Inc. d/b/a/ PPC v. Corning Optical Communications RF, LLC., Civil Action No. 5:11-cv-761 (May 20, 2015, N.D. N.Y) (failure to disclose PTAB decision to PTO could be material omission under § 1.56 where patents under consideration are closely related)(attached).

Further, as set forth in MPEP 2001.06(c), “Information From Related Litigation”:

Where the subject matter for which a patent is being sought is or has been involved in litigation, the existence of such litigation and any other material information arising therefrom must be brought to the attention of the U.S. Patent and Trademark Office.

This clear duty to disclose related litigation is mandatory, and can be found on the USPTO’s website.⁴ In re Carlson, Proceeding No. D08-27, Final Order (O.E.D. June 17, 2009) (failure to bring to the attention of the PTO the existence of litigation resulted in a public reprimand by the PTO Office of Enrollment and Discipline (OED) for violation of PTO Disciplinary Rule 10.23(b)(5)).

In short, Mr. Horstemeyer had an ethical duty of candor to the PTO that was not limited to “prior art.” The EFF’s belief that Mr. Horstemeyer should have submitted Judge Wu’s decision to the PTO with regards to the ‘334 Patent because it was material to the ‘334 Patent is well grounded in fact and the law.

B. “While Horstemeyer has not made any genuine contribution to notification ‘technology,’ he has shown advanced skill at gaming the patent system.”

The above statement is obviously opinion and rhetorical hyperbole, cannot be proven false, is based on facts disclosed to the reader, and is therefore protected opinion for the reasons discussed above.

C. “It appears Horstemeyer hoped the Office would not notice [the *Alice*] decision and would simply rubber-stamp his application.”

Your Letter mischaracterizes the above passage as, in context, the decision referred to was Judge Wu’s decision and not Alice. Regardless, the above statement is the type of speculation about someone’s motive that, again, is protected opinion. E.g., Collins v. Cox Enters., 215 Ga. App. 679, 680 (1995) (statement in newspaper editorial “that plaintiff hoped to fool voters by running for

⁴ <http://www.uspto.gov/web/offices/pac/mpep/s2001.html#d0e195990>.

office [using the same middle name as a popular governor] does not imply an assertion of objective fact that might be proved false, rather it is merely speculation as to [plaintiff's] motive based on his behavior.”).

Further, the Letter's discussion of whether or not the Clerk's Office filed one or several Form AO 120s in connection with the Judge Wu lawsuit, and his decision therein, is irrelevant to the truth or falsity of the above statement. (And to be clear, EFF is not aware of any evidence indicating that the AO 120 Forms from Eclipse IP LLC v. McKinley Equipment Corp., No. CV 14-154-GW (C.D. Cal) were actually forwarded to, filed with, or considered by, the examiner reviewing the '334 Patent application.)

Your Letter does not cite any precedent for its suggestion that the filing of a Form AO 120 by a U.S District Court Clerk absolves Mr. Horstemeyer of his independent duty of candor to the PTO and obligation to disclose Judge Wu's decision to the PTO. Instead, the fact of the matter is that Mr. Horstemeyer did not submit Judge Wu's decision to the PTO when he clearly knew of it, and the Article offers EFF's opinion that, based on this objectively true fact, Mr. Horstemeyer hoped that the PTO would not find out about Judge Wu's decision on its own. This is protected opinion, as discussed above.

III. Dismiss The Lawsuit.

As you can see from the law and facts discussed above, EFF firmly believes there were no false facts in the Article to correct or retract, and that Mr. Horstemeyer's lawsuit is a serious mistake. Not only will he be unable to prove the Article is actionable or that any statement is provably false, but he will also bring further publicity to his actions with regards to the '334 Patent, specifically his failure to disclose Judge Wu's decision to the PTO as well as his apparent belief in this and other patent applications that he is under no duty to disclose adverse court decisions regarding substantially similar patents.

Further, assuming that your client is able to establish personal jurisdiction over EFF and Mr. Nazer,⁵ EFF will move for an immediate determination of whether the Article is protected speech, and will further move for its attorney's fees, under the applicable anti-SLAPP statute and/or under Fed. R. Civ. P. 11. See, e.g., Cal.Civ.Proc.Code § 425.16 (California anti-SLAPP statute); O.C.G.A. 9-11-11.1 (Georgia anti-SLAPP statute); Hindu Temple and Community Center of High Desert, Inc. v. Raghunathan, 311 Ga. App. 109 (2011) (awarding fees); Koly v. Enney, 269 Fed. Appx. 861, 36 Media L. Rep. 1513 (11th Cir. March 7, 2008) (award of attorney's fees required under Fed. R. Civ. P. 11 because allegations that conduct of corporate officers were examples of "impropriety" and a "serious conflict of interest" were personal opinions based on the facts set out in a corporate communication to other directors).⁶

⁵ See, e.g., Weinstock v. Gannett, Inc., 2001 WL 1147214, 29 Media L. Rep. 2064 (N.D.Ga. 2001) (plaintiff lacked personal jurisdiction under Georgia long-arm statute over reporter who prepared USA TODAY article about him).

⁶ EFF does not concede that Georgia substantive or procedural law will apply to Mr. Horstemeyer's claims should be he choose to file suit. See Triguero v. ABN AMRO Bank N.V. Eyeglasses, 274 Ga. App. 92 (2005) ("Although there is no Georgia authority, we are persuaded by decisions of sister states and the

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This letter does not waive any of EFF's and Mr. Nazer's defenses to Mr. Horstemeyer's lawsuit, including, inter alia, the fair comment, fair report and other privileges. EFF and Mr. Nazer hereby reserve all such defenses and any applicable counterclaims.

If, after consideration of the above, you and Mr. Horstemeyer wish to continue with the lawsuit, I am authorized to accept service on behalf of EFF and Mr. Nazer. Please note that this does not mean that either EFF or Mr. Nazer waive their right to contest the jurisdiction of a Georgia court regarding this matter.

Please feel free to call me at (404) 572-6894 should you have any questions.

Very truly yours,



Eric P. Schroeder
For Bryan Cave LLP

EPS/glv

cc: Roger R. Myers, Esq.
Daniel Nazer, Esq.
Kurt Opsahl, Esq.

Restatement of Conflict of Law that, in defamation cases, the law of the jurisdiction where the publication occurs determines the rights and liabilities of the parties.”) Further, under the doctrine of depeage, a court may apply privileges and defenses available to the defendant in its home state. See, e.g., RESTATEMENT (SECOND) ON CONFLICTS OF LAWS § 145, comment d; Chi v. Loyola Univ. Med. Ctr., 787 F. Supp. 2d 797, 803 (N.D. Ill. 2011).