

COURTHOUSE NEWS

A Summary of Topical Highlights from decisions of the
U.S. District Court for the District of Oregon
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Federal Tax Lien

Judge Acosta granted defendant U.S.A.'s motion to dismiss and denied plaintiff's motion for summary judgment. Judge Acosta found that section 7425 of the Internal Revenue Code preempts the judicial strict foreclosure of a federal tax lien under Oregon law. This relates to the foreclosure of federal tax liens when the senior lienholder fails to properly notify the United States of a foreclosure sale.

Wells Fargo Bank v. U.S.A.,

CV 08-221-AC

(Findings and Recommendation, Aug. 14, 2008, Adopted by Judge Brown, Oct. 16, 2008)

Plaintiff's Counsel: Paul

Cosgrove

Defense Counsel: Michael

Pitman

Copyright Infringement and Attorney Fees

Plaintiff brought a copyright infringement action against defendants after copyrighted material that he authored was posted on a website controlled by defendants. The purpose of defendants' use, to attract customers to their website, was

commercial. Defendants further used search engine optimization techniques to make the article search-friendly. The use of the subject article was not transformative, but an exact copy with minor edits. Defendants had significant experience in search engine optimization techniques, and an obvious word search on the internet would have easily led them to plaintiff's website where they would have discovered the copyrighted subject article.

Although the court held that there was copyright infringement, it declined to exercise its discretion to increase damages for willful infringement for two reasons: first, although defendants plagiarized the bulk of plaintiff's ad promoting his product and tailored it to fit their non-competing product, the product was not one that plaintiff sold separately; second, plaintiff's original attorney sent defendants a demand letter requesting \$300,000 and threatened to refer the matter for criminal prosecution unless a demand for money was satisfied--such a tactic was itself arguably a violation of the law. The court awarded statutory damages of \$1,000.

The court denied a

subsequent motion for attorney fees and costs, pointing out that defendants had offered to resolve the case before trial by paying plaintiff \$750 plus reasonable fees and costs incurred up to that date. Plaintiff spurned the offer, engaged in no further settlement discussions, and decided to pursue litigation, incurring the vast bulk of his fees and costs thereafter for a net increase of \$250 over defendants' offer. Further, defendants caused no actual damages to plaintiff, nor did they create the potential for actual damages. The purpose of compensation and/or deterrence would not be served by rewarding plaintiff for his efforts to obtain an enormous windfall by threatening criminal prosecution and, after his unreasonable monetary demand was properly rejected by defendants, pursuing the litigation to an unsuccessful conclusion. Plaintiff's motion was denied.

McNamara v. Universal

Commercial Services,

CV 07-6079-TC

(Findings of Fact and Conclusion of Law, Sept. 16, 2008, Opinion Denying Fees, Oct. 27, 2008).

Plaintiff's Counsel: Andrew

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Skinner Lopata
Defense Counsel: Robert Swider

Patent/Inequitable Conduct

After a five-day court trial that began in June 2008, and concluded with closing arguments on October 1, 2008, Judge Brown issued a Verdict, Findings of Fact, and Conclusions of Law in which she resolved the single issue remaining in this case: Defendant XAP's equitable Counterclaim for Inequitable Conduct. Judge Brown found in favor of Plaintiff CollegeNET.

This was the last of several trials involving CollegeNET's claims that XAP infringed multiple claims of two patents issued to CollegeNET regarding CollegeNET's on-line college-application processing and payment system. CollegeNET also alleged XAP engaged in unfair competition with CollegeNET under the Lanham Act by misleading students who used XAP's on-line college application system about the sale of personal information that students provided during the application process.

In September 2006, a jury trial was held on CollegeNET's patent and Lanham Act claims. Before trial, Judge Brown reserved certain Lanham Act issues for a later bench trial, including XAP's equitable defense of laches; the

amount of actual damages, if any, awarded to CollegeNET; and attorneys' fees. Judge Brown also reserved for a later bench trial XAP's equitable defenses of inequitable conduct and prosecution history estoppel asserted against CollegeNET's patent claims.

The jury found XAP infringed one claim of one of CollegeNET's patents under the Doctrine of Equivalents and awarded CollegeNET \$4 million in actual damages. In an advisory verdict, the jury also found XAP violated the Lanham Act and assessed damages against XAP on that claim at \$4.5 million.

In the later bench trial on the Lanham Act issues, Judge Brown rejected XAP's laches defense, adopted the jury's damage award in favor of CollegeNET, and also awarded CollegeNET its reasonable attorneys' fees after finding the existence of "exceptional circumstances" based on XAP's willfully deceptive misconduct.

The remaining patent issues - XAP's equitable defenses of prosecution history estoppel and inequitable conduct - were set for a bench trial in June 2008. Before the trial began, Judge Brown found XAP waived its prosecution history estoppel defense when, at the close of evidence and before the jury began deliberating in the first trial, XAP failed to object to a Special Verdict that did not require the jury to identify the specific limitations of any CollegeNET patent claim that

the jury found to be infringed by XAP under the Doctrine of Equivalents.

As to XAP's defense of inequitable conduct, Judge Brown found XAP failed to establish by clear and convincing evidence that CollegeNET's founder and principal officer, James Wolfston, or any other CollegeNET employee intended to deceive the United States Patent Office during the original patent-application process or during the later reexamination process. Based on the lack of a finding of intent to deceive, Judge Brown did not need to address whether any alleged misrepresentation was material to the issuance of the patents at issue.

CollegeNET, Inc. v. XAP, Inc.,
CV 03-1229-BR

(Findings of Fact and Conclusion of Law, Oct. 1, 2008)
Plaintiff's Counsel: Debra Bernard
Defense Counsel: David Axelrod

Of Interest:

John Kroger, Oregon's presumptive incoming Attorney General, will speak at the Nov. 20, 2008 FBA Lunch, with introductory remarks by Judge Ann Aiken, the next Chief Judge of the District of Oregon.