IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

TOUCHCOM, INC. and TOUCHCOM TECHNOLOGIES, INC. Plaintiffs, vs. BERESKIN & PARR and H. SAMUEL FROST, Defendants.	)	Civil Action No. 1:07-cv-00114-JCC-TCB

SECOND AMENDED COMPLAINT AND JURY DEMAND

Plaintiffs Touchcom, Inc. and Touchcom Technologies, Inc. (collectively "Touchcom"), by their attorneys Dow Lohnes PLLC and Kasowitz, Benson, Torres & Friedman LLP, for their Second Amended Complaint against Defendants Bereskin & Parr ("B&P") and H. Samuel Frost ("Frost"), hereby allege as follows:

INTRODUCTION

1. This is an action for damages arising from Defendants' professional malpractice in preparing and prosecuting a patent application on Touchcom's behalf before the United States Patent & Trademark Office ("USPTO"). Defendants Frost and B&P omitted key computer source code from the patent application that they, as Touchcom's agents, caused to be submitted on Touchcom's behalf to the USPTO, and subsequently failed to correct that omission before the patent issued as United States Patent No. 5,027,282 ("the '282 patent"). In 2005, as a direct result of Defendants' professional malpractice, a U.S. court determined, in an infringement action captioned *Touchcom, Inc., et al. v. Dresser, Inc.*, 427 F. Supp. 2d 730 (E.D. Tex. 2005), that the absence of the missing source code rendered the '282 patent invalid.

THE PARTIES

2. Plaintiffs Touchcom, Inc. and Touchcom Technologies, Inc. are corporations organized under the laws of Canada with their principal places of business at 705 Progress Avenue, Unit K, Scarborough, Ontario, M1H 2X1, Canada. They are in the business of developing technology and licensing patent and technology rights in the United States and elsewhere.

3. Defendant Bereskin & Parr is a Canadian intellectual property law firm that serves clients in over 100 countries worldwide, including the United States and Canada. B&P claims to be highly proficient at providing customized solutions for the use, licensing, protection and enforcement of patents, trademarks, copyright, industrial designs, and trade secrets in Canada, Europe and the United States, and advertises that expertise regularly in legal publications in this jurisdiction and elsewhere in the United States. B&P employs numerous lawyers and agents who are registered to practice before the USPTO, including Defendant Frost, and regularly pursues patents in the USPTO on behalf of Canadian clients. B&P also represents U.S. parties, including Virginia residents, who seek Canadian intellectual property advice.

4. Defendant H. Samuel Frost is a partner with B&P and practices in B&P's Mississauga office. Frost is a Registered United States Patent Agent, Registered Canadian Patent and Trade Mark Agent, Registered United Kingdom Patent Agent and Registered European Patent Attorney. Frost is also a member of the American Intellectual Property Law Association and, upon information and belief, periodically travels to the United States to attend and speak at meetings held by that organization. Frost holds himself out to be competent and skilled at preparing and prosecuting patent applications in the United States, Canada, the United Kingdom and Europe.

5. This Court possesses subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1338(a).

6. This Court has specific personal jurisdiction over defendants pursuant to Federal Rule of Civil Procedure 4(k)(2) because (i) Touchcom's claims arise under federal law, (ii) Defendants Frost and B&P are, upon information and belief, not subject to jurisdiction in any state's courts of general jurisdiction, and (iii) the exercise of jurisdiction over Defendants comports with due process because Defendants purposefully directed activities at the United States and purposefully availed themselves of the laws of the United States by seeking and obtaining a U.S. patent from the USPTO on Touchcom's behalf, Touchcom's claims arise out of those activities, and the exercise of jurisdiction over Defendants comports with fair play and substantial justice.

7. Venue is proper in this District under 28 U.S.C. § 1391(b)(2), (b)(3) and § 1391(d) because many of the transactions and events giving rise to this claim occurred in this District and Defendants are aliens, who may be sued in any District.

BACKGROUND FACTS

Touchcom Retains B&P and Frost To Obtain a U.S. Patent

8. Peter W. Hollidge ("Hollidge") invented certain technology associated with an interactive pump system capable of interacting and responding to responses from a user (the "Invention"). Hollidge is one of the principals of Touchcom, Inc.

9. In or around 1987, Hollidge retained B&P and Frost on behalf of Touchcom, Inc. to obtain patent protection in a series of countries, including the United States. B&P and Frost accepted the engagement with the understanding that they would be required to seek, among other things, a U.S. patent.

Frost and B&P File Patent Applications On Behalf Of Touchcom

10. On or around August 6, 1987, B&P and Frost prepared and filed a patent application in Canada for the Invention, resulting in the issuance of a Canadian patent on May 26, 1992. Upon information and belief, the Canadian patent application included, among other things, the complete computer source code for the Invention.

11. On or around December 7, 1987, Hollidge assigned and transferred to Touchcom, Inc. his rights to the Invention, including the right, title and interest to any and all patents that may be granted. Thereafter, Touchcom, Inc. granted a license to Touchcom Technologies, Inc. for the right to use the Invention, with all patent rights remaining owned by Touchcom, Inc.

12. B&P and Frost were aware that Touchcom, Inc. was the owner, by virtue of the aforementioned assignment of all rights, title and interest by Hollidge to Touchcom, Inc., of the Invention, including the right, title and interest to any and all patents that may be granted.

13. Rather than filing separate individual patent applications in multiple countries, B&P and Frost elected to use the Patent Cooperation Treaty ("PCT") process to obtain the remaining patents they had been retained to pursue for Touchcom.

14. The PCT is a multilateral treaty that was concluded in Washington, D.C. in 1970 and entered in force in 1978. (Patent Cooperation Treaty, Jan. 24, 1978, TIAS 8733, 28 UST 7645.) It is administered by the International Bureau of the World Intellectual Property Organization ("WIPO").

15. The PCT provides a unified procedure for filing a single patent application (the "international application") to protect an invention, with effect in several countries, instead of filing separate national and/or regional patent applications. Under the PCT process, the applicant makes a single filing in one of a number of participating countries and a preliminary examination

is conducted in that country. Once the preliminary examination is complete, additional local examinations and grant procedures are handled by the relevant national authorities through what is known as the "national phase" of the process.

16. It is up to the applicant to decide whether and when to enter the national phase before each national (or regional) office. During the national phase, the applicant deals with the local patent office in the particular country in which a patent is sought. In the United States, that is the USPTO, then located in Arlington, Virginia.

17. Because Hollidge, the inventor, was a British subject, B&P and Frost continued their representation of Touchcom by causing a PCT international application to be filed in the British Patent Office in the United Kingdom on August 5, 1988.

18. The international application that B&P, Frost and their agents caused to be submitted to the British Patent Office did not include the complete computer source code for the Invention; rather, a portion of the computer source code that had been included with the Canadian patent application was omitted from the PCT international application.

19. On or around November 29, 1989 Hollidge executed a Declaration to be Filed With U.S. Elected Office Under 35 U.S.C. 371(c)(4), in which he declared himself to be the original, first and sole inventor of the Invention. That Declaration included a power of attorney appointing Frost, B&P, and various other B&P attorneys and agents as Touchcom's agents to "prosecute this … application and transact all business in the Patent and Trademark Office connected therewith." Upon information and belief, that power of attorney was never withdrawn.

20. On or about December 29, 1989, B&P, Frost and their agents caused a national phase application (U.S. Patent Application No. 449,970) ("the '970 Application") for the

Invention to be filed with the USPTO on Touchcom's behalf. The '970 Application was identical to the PCT international application filed in the British Patent Office and therefore also omitted a key portion of the computer source code that had been attached to the Canadian patent application.

21. Following the filing of the U.S. patent application, B&P, Frost and their agents corresponded with and appeared at the USPTO in Arlington, Virginia, on matters related to the '970 Application; on each occasion, they failed to correct the omission of the missing computer source code, even as they corrected other errors.

22. B&P and Frost knew, or should have known, that the missing computer source code was essential support for the claims of the '970 Application.

23. The '970 Application issued as United States Patent No. 5,027,282 on June 25, 1991.

24. B&P and Frost subsequently advised Touchcom that a patent had been obtained in the United States, but failed to disclose that essential support for the claims of the '282 patent had not been submitted or that there was any reason to doubt the validity of the patent. Touchcom reasonably relied on their advice.

Defendants' Continued Representation of Touchcom

25. Frost and B&P continued to represent Touchcom with respect to the '282 patent and related PCT applications and undertakings following the issuance of the '282 patent. For example:

- On June 26, 1995, B&P and Frost paid a maintenance fee on Touchcom's behalf for the '282 patent.

- On July 27, 1995, B&P and Frost filed a Request for Certificate of Correction with the USPTO to include additional drawings not submitted as part of the original patent application.
- On August 10, 1999, B&P and Frost paid a maintenance fee on Touchcom's behalf for the '282 patent.
- On September 30, 2002, B&P asked for instruction from Touchcom to pay a renewal fee to "maintain the [U.S. '282] patent in effect."
- On July 1, 2003, B&P and Frost paid a maintenance fee on Touchcom's behalf for the '282 patent.
- On May 26, 2004, Touchcom paid B&P $490.75 for services rendered and in reimbursement of B&P's payment of a maintenance fee on the Canadian patent;
- On May 25, 2005, B&P rendered legal services to Touchcom for payment of a maintenance fee on the Canadian patent.
- On August 4, 2005, B&P arranged for payment to be made on Touchcom's behalf of the renewal fee on the patent issued in the United Kingdom.
- On February 1, 2006, B&P corresponded with Touchcom on changes in Canadian patent law as they applied to the Canadian patent, and "very strongly advise[d]" Touchcom to act in compliance with that law.
- On May 26, 2006, B&P made maintenance fee payments on Touchcom's behalf with respect to the Canadian patent.

26. B&P continues to be listed in the USPTO records as Touchcom's attorney/agent of record with respect to the '282 patent.

The ‘282 Patent Is Invalidated

27. Touchcom brought two actions to enforce the ‘282 patent in federal court in the United States against licensees who had failed to pay Touchcom royalties on licensed products. The first action, *Touchcom, Inc. et al. v. Gilbarco, Inc.*, No. 2:03-CV-329 (TJW) (E.D. Tex.) was settled for a confidential sum.

28. The second action, *Touchcom, Inc. et al. v. Dresser, Inc.*, No. 2:04-CV-246-TJW (E.D. Tex.) was contested by Dresser on the ground that the ‘282 patent was invalid. In November 2005, Defendant Frost was deposed in connection with the case. On December 5, 2005, the U.S. District Court for the Eastern District of Texas, on Dresser’s motion for summary judgment, held that the ‘282 patent was invalid as a matter of law. In its decision, the court expressly based its finding of invalidity on the fact that a key portion of the computer source code required to support the patent’s claims was missing. (*Touchcom, Inc. v. Dresser, Inc.*, 427 F. Supp. 2d 730, 737 (E.D. Tex. 2005).) This missing portion of the source code was the same portion that B&P, Frost and their agents had omitted from the patent application they had caused to be submitted to the USPTO.

CLAIMS

FIRST CLAIM FOR RELIEF

(Negligence)

29. Plaintiffs incorporate paragraphs 1 through 28 as if fully set forth herein.

30. At all relevant times, B&P and Frost held themselves out as experts in the business of preparing patent applications and prosecuting patents. B&P, Frost and their agents had a duty to exercise reasonable care in preparing and prosecuting patent applications under the PCT and the United States patent laws. B&P, Frost and their agents had the duty to use such

skill, prudence and diligence as other members of their profession commonly possess and exercise.

31. B&P, Frost and their agents breached their duty both to Hollidge as the actual inventor and to Touchcom, the assignee and the ultimate owner of all rights to the '282 patent, by preparing a PCT application for the Invention and ultimately directing that the national phase application be filed in the U.S. without all of the necessary supporting computer source code, and by failing to correct or otherwise amend or replace that application to include the necessary computer source code.

32. B&P, Frost and their agents deviated from the standard of care for an intellectual property firm, and a partner and patent agent at an intellectual property firm, respectively, because B&P, Frost and their agents knew or should have known in the exercise of ordinary care that the computer source code was missing from the PCT application and that it was essential to the validity of the patent in the United States and elsewhere.

33. B&P and Frost also failed to supervise their agents in the exercise of their duties in preparing the PCT application and filing the national phase entry application in the U.S PTO without all of the necessary computer source code.

34. In 2005, the United States District Court for the Eastern District of Texas invalidated the '282 patent because of the missing computer source code.

35. As a direct and proximate result of B&P's, Frost's and their agents' negligent actions in the course of prosecuting the '282 patent, the plaintiffs have sustained actual losses and damages including but not limited to the inability to license the patented technology and enforce the patent against those who would infringe its claims. Actual losses and damages approximate $400,000,000.

SECOND CLAIM FOR RELIEF

(Breach of Contract)

36. Plaintiffs incorporate paragraphs 1 through 35 as if fully set forth herein.

37. Touchcom had a contract with B&P and Frost pursuant to which B&P and Frost were retained to use the skill and expertise of a law firm specializing in intellectual property law and of a patent agent registered with the U.S. Patent & Trademark Office. Under the contract, B&P and Frost were to prosecute patent applications in Canada, Europe and the United States to protect certain technology associated with an interactive pump system capable of interacting and responding to responses from a user.

38. Touchcom, Inc. performed its obligations under the contract. It timely provided B&P and Frost with all of the information necessary to apply for and prosecute the patents and paid B&P and Frost for their services.

39. B&P and Frost breached their obligations under the contract. They did not perform the task that they were hired to do. They did not prepare and file applications with the information provided by Touchcom, Inc.--specifically the complete computer source code--thus rendering the patent claims indefinite and invalid.

40. B&P and Frost knew that Touchcom, Inc. had granted a license to Touchcom Technologies, Inc. for the right to use and commercially exploit the invention. B&P and Frost were similarly obligated to Touchcom Technologies, Inc. to prepare and file applications with the information provided by Touchcom, Inc. including the complete computer source code.

41. As a direct result of B&P's and Frost's breach of contract, the plaintiffs have been damaged in an amount to be determined at trial, but which is no less than $400,000,000 exclusive of costs and fees.

REQUEST FOR RELIEF

WHEREFORE, Plaintiffs demand judgment as follows:

A. On their First Claim for Relief: for an order finding Defendants to be jointly and severally liable and awarding compensatory, consequential and incidental damages in an amount to be proven at trial, but in no event less than $400,000,000;

B. On their Second Claim for Relief: for an order finding Defendants to be jointly and severally liable and awarding compensatory, consequential and incidental damages in an amount to be proven at trial, but in no event less than $400,000,000;

C. For pre- and post-judgment interest on any award; and

D. Costs and expenses; and

E. Awarding Plaintiffs such other and further relief as this Court deems just and proper.

JURY DEMAND

Plaintiffs Touchcom, Inc. and Touchcom Technologies, Inc. demand a trial by jury.

Dated: November 13, 2009

Respectfully submitted,

/s/

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CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of November 2009, I will cause the foregoing document to be electronically filed with the Clerk of Court using the CM/ECF system, which will then send a notification of such filing (NEF) to the following:

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And I hereby certify that I will cause the foregoing document to be sent to the following non-filing counsel via United States Mail First Class:

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