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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

IHANCE, INC.,

Plaintiff,

v.

MARKETO, INC.,

Defendant.

Case No. 3:13-cv-02271-WHO
Action Filed: May 17, 2013
FIRST AMENDED COMPLAINT
DEMAND FOR JURY TRIAL

1 **COMPLAINT**

2 Plaintiff, iHance, Inc. (“iHance”), by its attorneys, hereby alleges as follows:

3 **NATURE OF THE ACTION**

4 1. This is an action for patent infringement under the patent laws of the United States,
5 Title 35, United States Code.

6 **PARTIES**

7 2. Plaintiff iHance, Inc. is a corporation organized and existing under the laws of the State
8 of California, with its principal place of business at 222 Columbus Avenue, San Francisco, California
9 94133.

10 3. Defendant Marketo, Inc. (“Marketo”) is a corporation organized and existing under the
11 laws of the State of Delaware, with its principal place of business at 901 Mariners Island Blvd., Suite
12 200, San Mateo, California 94404.

13 **JURISDICTION AND VENUE**

14 4. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a).

15 5. Defendant Marketo is subject to personal jurisdiction in California because, among
16 other things, Marketo is a resident of the State of California. Marketo is also subject to personal
17 jurisdiction in California because, among other things, Marketo makes, markets, sells, and provides
18 demand generation software and services throughout the United States and within the State of
19 California and therefore transacts business within the State of California related to iHance’s claims,
20 and/or has engaged in systematic and continuous business contacts within the State of California

21 6. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b)-(d) and
22 1400(b).

23 7. Pursuant to Civil Local Rule 3-2(c), this case is an Intellectual Property Action and
24 properly assigned to any division.

25 **BACKGROUND**

26 **A. iHance’s Solution to a Problem in the Demand Generation Field.**

27 8. iHance and Marketo provide software and services in the field of demand generation
28 solutions for sales and marketing professionals.

1 9. Demand generation solutions help companies focus their marketing and sales programs
2 to increase awareness of and interest in the companies' products and services (particularly in
3 connection with business-to-business or big-ticket consumer transactions) and help convert sales leads
4 into customers. Demand generation is a growing part of the customer relationship management
5 ("CRM") industry, which provides marketing and sales solutions on which U.S. companies spend
6 billions of dollars annually.

7 10. A company's marketing department normally is charged with creating general
8 awareness of and interest in a product or service, but its sales department typically bears responsibility
9 for identifying, prioritizing, and nurturing potential individual leads and converting them into
10 customers.

11 11. As Internet marketing and sales developed in the 1990s, companies began to take
12 advantage of tracking technology, such as cookies and tracking codes, to learn more about the web
13 behavior of potential customers. These technologies permitted a company to send tracked mass emails
14 to potential customers and thereby identify at a rudimentary level who was opening these emails, who
15 was clicking on links in the emails, and what portions of the company's website were being visited.

16 12. These technologies, however, did not allow individual sales representatives to track the
17 unique behavior of individual sales leads in response to their own emails sent from their own regular
18 email programs, such as Microsoft Outlook. (In the software industry, email programs are commonly
19 referred to as email "clients." The patents-in-suit use the terminology email "clients.")

20 13. Thus, for many years, a sales representative who communicated with sales leads via his
21 or her regular email client was unable to learn valuable information about the behavior of the
22 recipients, such as whether and when the recipients had shown interest in a product or service by
23 opening the sales representative's email and visiting particular pages on the company's website.
24 Consequently, a tremendous amount of valuable information that could have been generated by a sales
25 representative's email correspondence was left untapped by then-existing technology.

26 14. In 2000, one of iHance's founders, Andrew Knox, recognized this problem and devised
27 ways to solve it: software and services that would permit individual sales representatives to send their
28 own emails, from their own email clients, while uniquely identifying who opened their emails, clicked

1 on the links in the emails, what pages on the company's site the recipients visited, and the precise time
2 any of this activity occurred. Thanks to this solution, rather than relying on the limited capabilities of
3 then-existing technology, a sales representative, using his or her regular email client, would be able to
4 monitor an individual sales lead's behavior in response to the sales representative's regular email
5 activities, such as sending and replying to emails. iHance's solution included a number of other
6 features, such as, by way of example only, providing the ability to uniquely identify multiple
7 recipients of a single email sent from a sales representative's email client.

8 **B. iHance's Development of Its Innovative Technology and Sales of Its Software**
9 **Products and Services.**

10 15. Mr. Knox formed iHance in November 2000 and, with co-inventor Lars Knox and co-
11 founder and co-inventor John Hart, over the course of 2001 created a beta version of the software that
12 was used by customers no later than December 2001.

13 16. In November 2001, Messrs. Knox filed with the United States Patent and Trademark
14 Office a provisional patent application, titled "Method and Apparatus for Monitoring the Email and
15 Website Behavior of an Email Recipient."

16 17. iHance began promoting its software and service, including on its website, where it
17 explained in December 2001:

- 18 • "Addictive Technology. Once you've experienced the Ihance solution there is no going
19 back. Simply knowing when your customer or prospect is browsing your site allows you to
20 call at just the right time. Seeing what they're interested in makes your conversation hit the
21 mark."
- 22 • "Imagine Knowing. Imagine a sales rep knowing which prospects are browsing the
23 site, what products they are looking at, which options they're considering. Imagine a sales rep
24 knowing when contacts have read their message, downloaded the latest update or begun
25 researching support policies. In sales, knowledge is power and timing is everything. Ihance
26 delivers knowledge in time to use it."

27 18. iHance continues to market and support this software solution, now called iHance
28 Vision, to customers throughout the United States. iHance also sells Absolute Automation, an email

1 integration software product for users of salesforce.com's CRM software. More than 600 paying
2 companies use iHance software. iHance's Absolute Automation software received salesforce.com's
3 Best Apps of 2008 and 2010 awards.

4 **C. The USPTO's Issuance to iHance of Patent Nos. 7,072,947 and 7,076,533.**

5 19. In November 2002, iHance filed applications to patent its inventions.

6 20. On July 4, 2006, United States Patent No. 7,072,947 ("the '947 patent"), titled "Method
7 and System for Monitoring E-mail and Website Behavior of an E-mail Recipient," was duly and
8 legally issued by the U.S. Patent and Trademark Office ("USPTO"). The '947 patent is attached as
9 Exhibit A hereto.

10 21. iHance is the assignee of the '947 patent.

11 22. On July 11, 2006, United States Patent No. 7,076,533 ("the '533 patent"), titled
12 "Method and System for Monitoring E-mail and Website Behavior of an E-mail Recipient," was duly
13 and legally issued by the USPTO. The '533 patent is attached as Exhibit B hereto.

14 23. iHance is the assignee of the '533 patent.

15 **D. Recognition of iHance's Patents.**

16 24. After obtaining the '947 and '533 patents, iHance began efforts to license its
17 technology. Manticore Technology, an Austin, Texas software company that is now part of Sales
18 Engine International, elected to license the '947 and '533 patents. The two other competitors iHance
19 contacted chose not to license the patents, and in December 2007, the USPTO received anonymous *ex*
20 *parte* petitions for reexamination challenging the validity of the '947 and '533 patents.

21 25. The reexamination proceedings lasted several years, but both challenges failed in their
22 entirety. In September 2009, the USPTO issued a reexamination certificate for the '947 patent. In
23 April 2011, the USPTO issued a reexamination certificate for the '533 patent.

24 26. Following the issuance of the reexamination certificate for the '533 patent, iHance sued
25 Eloqua Corp., a primary competitor of Marketo and one of the companies iHance had contacted in
26 2007, in the Eastern District of Virginia. The trial court issued a *Markman* ruling adopting many of
27 iHance's claim construction positions in May, 2012. (The Court's decision is reported at 2012 WL
28 1571327.) Following that decision, the Court denied Eloqua's motion for summary judgment of non-

1 infringement. (The Court’s decision appears at Docket No. 312.) Eloqua contended that it had sold
2 approximately \$2.7 million worth of the software, Eloqua for Microsoft Outlook, that iHance alleged
3 infringed the ‘947 and ‘533 patents. Eloqua paid iHance’s \$3.5 million to settle the litigation prior to
4 trial. Eloqua no longer markets Eloqua for Microsoft Outlook.

5 **E. Marketo’s Conduct.**

6 27. Marketo has offered for sale a system for monitoring email and web behavior
7 involving an Outlook-based add-in called “Marketo Outlook Add-In.” On information and belief,
8 Marketo previously offered an Outlook-based add-in as part of software called “Marketo Sales
9 Insight” and “Lead Insight for Sales,” and has done so since on or about 2008. Marketo has
10 previously stated that its Outlook add-in was a “key feature” of Marketo Sales Insight. Marketo
11 advertises that the Marketo Outlook Add-in “lets you send trackable emails directly from Microsoft
12 Outlook.”

13 28. As explained in Marketo’s user support materials, the Marketo Outlook Add-in adds
14 “Send and Track” functionality to a user’s version of Microsoft Outlook. “Emails sent via Send and
15 Track include an invisible image embedded by the add-in; when the email is opened, the email client
16 retrieves the image from our webserver, and an Open Sales Email event is added to that lead’s activity
17 log.”

18 29. Marketo’s support materials also explain that the “Send and Track” functionality results
19 in hyperlinks in an email being “decorated” or modified to permit the Marketo system to track
20 clickthroughs. “When you Send and Track an email, each link in the email is wrapped so that Marketo
21 is informed when a recipient clicks any of those links. These clicks appear as Click Sales Email
22 events in the lead’s activity log. Clicking a link also cookies the recipient’s browser so his web
23 activity on your Munchkin-enabled pages is tracked by Marketo.”

24 30. “Munchkin” is Marketo’s way of referring to the customized tracking scripts that are
25 used in Marketo’s system for monitoring web behavior. Marketo generates a unique Munchkin
26 tracking script for each Marketo account and provides such customized tracking scripts to its users.
27 The Munchkin tracking scripts work in concert with links decorated by the Marketo Outlook Add-in to
28 assist with tracking the website behavior of email recipients.

1 31. The combination of Marketo’s Outlook add-in (and particularly the portions of the
2 program that modify emails) with the Munchkin tracking scripts is not a staple article of commerce
3 and does not have substantial non-infringing uses. Rather, the combination is a material component of
4 Marketo’s systems for monitoring email and web behavior and has been designed by Marketo
5 specifically for use in connection with those systems.

6 32. Marketo’s description of Marketo Outlook Add-in indicates that it is not, at a functional
7 level, materially different from Eloqua’s “Eloqua for Microsoft Outlook” software, as to which the
8 district court in *iHance v. Eloqua* denied summary judgment of non-infringement. Marketo has
9 compared its product offerings to Eloqua’s because Eloqua is one of its primary competitors, and,
10 upon information and belief, Marketo has compared the Marketo Outlook Add-in and Eloqua for
11 Microsoft Outlook and evaluated the similarities and differences between them.

12 33. Upon information and belief, Marketo has been aware of iHance’s patents since at least
13 2011. iHance uses the inventions at issue in this case in connection with its software, iHance Vision.
14 iHance Vision has recorded dozens of instances of visits to the iHance website that it attributes to
15 Marketo executives and employees. These instances have included visits to portions of iHance’s
16 website that indicate that iHance Vision is covered by the patents asserted in this litigation and pages
17 that include information about the issuance of iHance’s patents, its licensing activity with Manticore,
18 and its litigation and settlement with Eloqua.

19 34. Following the settlement of iHance’s litigation with Eloqua, iHance opened
20 negotiations with Marketo in the summer of 2012. Over the course of these negotiations, iHance
21 notified Marketo of its infringement of iHance’s intellectual property. Despite a number of
22 discussions concerning the possibility of Marketo acquiring iHance’s software and patents, discussions
23 that iHance believed had been productive, Marketo ceased contact with iHance following December,
24 2012.

25 35. On May 7, 2013, iHance contacted Marketo by email to try again to resolve Marketo’s
26 infringement of iHance’s patents without litigation. The email included a draft complaint specifically
27 asserting that Marketo’s systems that use the Marketo Outlook Add-in infringe the ‘947 and ‘533
28

1 patents. Marketo declined to discuss the subject, leading to iHance initiating this action on May 17,
2 2013.

3 36. Despite having been informed multiple times of its infringement of iHance’s patents,
4 Marketo continues to advertise on its website that its users can “turn insight into action by sending
5 emails or entire campaigns directly within . . . Microsoft Outlook” and continues to provide support
6 for the Marketo Outlook Add-in. Marketo intends for its customers to continue using the Marketo
7 Outlook Add-in in connection with monitoring email and web behavior in ways that infringe the ‘947
8 and ‘533 patents.

9 37. As a result of Marketo’s conduct, iHance has lost sales of its iHance Vision system and
10 related software.

11 **COUNT I**

12 **(Patent Infringement – ‘947 Patent)**

13 38. iHance realleges Paragraphs 1 through 37 of this Complaint above as if fully set forth
14 herein.

15 39. The ‘947 patent was duly and legally issued on July 4, 2006.

16 40. Marketo has had knowledge of the ‘947 patent since, at the latest, September 2012.

17 41. iHance is the owner, by assignment, of all right, title, and interest in and to the ‘947
18 patent.

19 42. Marketo made, used, provided, offered for sale, sold, and continues to use, provide,
20 offer for sale, and sell software products and services and other related products in the United States,
21 including without limitation the Marketo Outlook Add-In software product and its predecessor
22 versions.

23 43. Marketo has infringed and/or has contributed to infringement by others and/or has
24 induced others to infringe and, unless enjoined, will continue to infringe and/or contribute to the
25 infringement by others and/or induce others to infringe claims of the ‘947 patent by, among other
26 things, making, using, importing, providing, selling and/or offering to sell, software products and
27 services covered by the email and website tracking claims of the ‘947 patent or equivalents thereof,
28

1 including without limitation the Marketo Outlook Add-In software product and its predecessor
2 versions.

3 44. iHance has been damaged by Marketo's infringement of the '947 patent in an amount
4 to be determined at trial.

5 45. The infringement of the '947 patent by Marketo has caused and is causing iHance to
6 suffer irreparable harm and injury.

7 46. The infringement by Marketo of the '947 patent is in direct violation of iHance's rights
8 under 35 U.S.C. § 271 to exclude others from making, using, selling, and/or offering for sale products
9 and services embodying the invention of the '947 patent.

10 47. iHance has no adequate remedy at law.

11 48. iHance will continue to suffer irreparable harm unless an injunction is issued enjoining
12 and restraining Marketo from infringing the '947 patent.

13 49. Marketo's infringement of the '947 patent has been and continues to be willful.

14 **COUNT II**

15 **(Patent Infringement – '533 Patent)**

16 50. iHance realleges Paragraphs 1 through 37 of this Complaint above as if fully set forth
17 herein.

18 51. The '533 patent was duly and legally issued on July 11, 2006.

19 52. Marketo has had knowledge of the '533 patent since, at the latest, 2012.

20 53. iHance is the owner, by assignment, of all right, title, and interest in and to the '533
21 patent.

22 54. Marketo made, used, provided, offered for sale, sold, and continues to use, provide,
23 offer for sale, and sell software products and services and other related products in the United States,
24 including without limitation the Marketo Outlook Add-In software product and its predecessor
25 versions.

26 55. Marketo has infringed and/or has contributed to infringement by others and/or has
27 induced others to infringe and, unless enjoined, will continue to infringe and/or contribute to the
28 infringement by others and/or induce others to infringe claims of the '533 patent by, among other

1 things, making, using, importing, providing, selling and/or offering to sell, software products and
2 services covered by the email and website tracking claims of the '533 patent or equivalents thereof,
3 including without limitation the Marketo Outlook Add-In software product and its predecessor
4 versions.

5 56. iHance has been damaged by Marketo's infringement of the '533 patent in an amount
6 to be determined at trial.

7 57. The infringement of the '533 patent by Marketo has caused and is causing iHance to
8 suffer irreparable harm and injury.

9 58. The infringement by Marketo of the '533 patent is in direct violation of iHance's rights
10 under 35 U.S.C. § 271 to exclude others from making, using, selling, and/or offering for sale products
11 and services embodying the invention of the '533 patent.

12 59. iHance has no adequate remedy at law.

13 60. iHance will continue to suffer irreparable harm unless an injunction is issued enjoining
14 and restraining Marketo from infringing the '533 patent.

15 61. Marketo's infringement of the '533 patent has been and continues to be willful.

16 **RELIEF REQUESTED**

17 WHEREFORE, by reason of the foregoing, iHance respectfully requests the following relief:

18 (a) A judgment that that Marketo has infringed and is infringing the '947 patent and that
19 such infringement is willful;

20 (b) A judgment that Marketo has infringed and is infringing the '533 patent and that such
21 infringement is willful;

22 (c) An injunction preventing Marketo, and all persons acting in concert with it, from
23 making, using, selling, offering for sale, marketing, distributing, providing customer support for, or
24 importing the Marketo Outlook Add-In software product, or any product, service, or system that
25 infringes the '947 patent, or the inducement of or the contribution to any of the foregoing, prior to the
26 expiration date of the '947 patent, inclusive of any extension(s) and additional period(s) of exclusivity;

27 (d) An injunction preventing the Marketo, and all persons acting in concert with it, from
28 making, using, selling, offering for sale, marketing, distributing, providing customer support for, or

1 importing the Microsoft Outlook Add-In software product, or any product, service, or system that
2 infringes the '533 patent, or the inducement of or the contribution to any of the foregoing, prior to the
3 expiration date of the '533 patent, inclusive of any extension(s) and additional period(s) of exclusivity;

4 (e) A judgment that iHance be awarded damages in connection with Marketo's
5 infringement, contributory infringement, and inducement of infringement of the '947 patent and the
6 '533 patent as measured by a reasonable royalty, and that such damages be trebled, together with pre-
7 judgment and post-judgment interest thereon, in an amount to be determined at trial;

8 (f) A judgment in iHance's favor for an accounting for the gains, profits, and advantages
9 derived by Marketo, directly or indirectly, by their unlawful acts of patent infringement, and for
10 damages in an amount adequate to compensate iHance for monetary damages resulting from the
11 wrongful conduct of Marketo;

12 (g) A declaration that this is an exceptional case and an award of attorneys' fees pursuant
13 to 35 U.S.C. § 285.

14 (h) An award of iHance's costs and expenses in this action, together with costs and pre-
15 judgment and post-judgment interest, as appropriate, and as authorized by any statute or law
16 applicable to any claim made in this Complaint; and

17 (i) Such further and other relief as this Court may deem just and proper.

18 **JURY DEMAND**

19 In accordance with Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff hereby
20 demands a trial by jury on all issues so triable.

21
22
23 DATED: July 8, 2013

Respectfully submitted,

WILLIAMS & CONNOLLY LLP



THOMAS S. FLETCHER

Attorneys for Plaintiff
IHANCE, INC.