

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No. 1:14-cv-001189-PAB-KMT

NEOMEDIA TECHNOLOGIES, INC.,

Plaintiff,

v.

Judge

COSTCO WHOLESALE
CORPORATION,

Jury Trial Demand

Defendant.

AMENDED COMPLAINT

Plaintiff NeoMedia Technologies, Inc. for its Complaint for patent infringement against Defendant Costco Wholesale Corporation, alleges as follows:

PARTIES

1. Plaintiff NeoMedia Technologies, Inc. (“NeoMedia”) is a Delaware corporation with its principal place of business at 1515 Walnut Avenue, Suite 100, Boulder, Colorado 80302 that provides mobile barcode creation and technology solutions including 2-dimensional (“2D”) products and services.

2. NeoMedia is the owner of record and assignee of a family of related patents (including US Patent Nos. 5,978,773; 6,199,048; 7,383,209; and 7,765,126), which family includes US Patent 8,131,597 (“the ‘597 Patent”) (the “Asserted Patent”). NeoMedia has and has had the exclusive right to enforce and collect damages for infringement of the Asserted Patent during all relevant time periods.

3. On information and belief, Defendant Costco Wholesale Corporation (“Costco”) is organized and existing under the laws of the State of Washington, having its principal place of business at 999 Lake Drive, Issaquah, WA 98027 and having a place of business in numerous locations in this District, including one at 5195 Wadsworth Blvd. Arvada, 80002-4617. Costco’s registered agent in Colorado is: The Corporation Company, 1675 Broadway Ste 1200, Denver, CO 80202.

JURISDICTION AND VENUE

4. This is a civil action for patent infringement arising under the Patent Laws of the United States, 35 U.S.C. § 1, *et seq.*, and more particularly 35 U.S.C. § 271.

5. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §§ 1331 and 1338(a).

6. Personal jurisdiction over the defendant is proper under C.R.S. § 13-1-124 and the United States Constitution because this action arises from the Defendant’s commission of at least (a) transacting business and (b) committing the complained of tortious acts within this jurisdiction.

7. Venue is proper in this District under 28 U.S.C. §§ 1391 (b) and (c) and 1400 (b).

BACKGROUND

8. NeoMedia is a leader in mobile barcode creation and technology solutions including 2-dimensional (“2D”) products and services. NeoMedia’s platform technology enables consumers easy and quick access to information by scanning mobile barcodes with camera such as those on smartphones or tablets. NeoMedia provides a barcode scanner application, NeoReader®, which allows users to scan multiple types of 1-

Dimensional (“1D”), such as Uniform Product Codes (“UPC”) and 2D barcodes, such as Quick-Response Codes (“QR Codes”).

9. NeoMedia has the technical capacity to provide QR Codes and QR Code-related services to Costco. NeoMedia has also licensed its patents to other companies that have the technical capacity to provide QR Codes and QR Code-related services to Costco. Costco, however, has not used the services of NeoMedia or a provider licensed by NeoMedia to create and manage QR Codes produced and distributed by Costco.

THE PATENT-IN-SUIT

10. On March 6, 2012, the ‘597 Patent, entitled “System and Method for Using an Ordinary Article of Commerce to Access a Remote Computer” was duly and legally issued by the USPTO. A true and correct copy of the ‘597 Patent is attached as Exhibit A.

11. In addition to the licenses discussed above, NeoMedia has licensed certain of its patents, including the ‘597 patent, to other companies including but not limited to Kraft Foods, Microsoft, Progressive Insurance, Mondelez Global LLC, Skechers USA, Tyson Foods, a global life science and high-tech materials company, a beverage manufacturer, a consumer packaged goods company, a Global 500 financial services company, a global manufacturer and marketer of high-quality food and beverage company, large quick service restaurants, and a major US automobile manufacturer.

Costco’s Knowledge Of The Asserted Patent, How It Is Infringed, And Continued Infringement Despite That Knowledge

12. Costco has been aware of the Asserted Patent no later than approximately May 14, 2013, when a letter dated May 9, 2013 was delivered by Federal Express to Costco. The letter identifies the Asserted Patent and the activity NeoMedia contends

infringes them. In addition to an accusation of direct infringement, the letter states that Costco was “inducing the direct infringement of method claims and system claims by providing these codes and encouraging and instructing its consumers to scan Costco’s mobile barcodes/QR codes.” A claim chart setting forth NeoMedia’s contention of infringement of claim 1 of the ‘597 patent was included in the letter.

13. In addition to the May 9, 2013 letter and claim chart, this Complaint serves as additional notice to Costco of the Asserted Patent and the manner in which it is infringed.

14. NeoMedia has followed up on the May 9, 2013 letter numerous times with telephone calls and e-mails, but Costco has never responded to NeoMedia’s communications in any manner. No employee or representative of Costco has ever responded to NeoMedia’s letter. No employee or representative of Costco answered the telephone when counsel for NeoMedia called, instead sending the call to voicemail. No employee or representative of Costco has ever returned NeoMedia’s telephone calls or e-mails.

15. Consistent with the lack of communication with Costco, no employee or representative of Costco has offered an explanation that Costco does not infringe the Asserted Patent or that the Asserted Patent is invalid for any reason.

16. As was explained in the May 9th letter, QR Codes produced and distributed by Costco infringe the Asserted Patent because the QR Codes enable a user device (such as a smartphone) to connect indirectly with a content server over the Internet. Costco does this by encoding the QR Code with an index that is sent to a server and used to lookup the URL of a content server, which is then returned to the user device

to enable it to connect with the content server. QR Codes designed to operate in this manner are referred to as “Indirect QR Codes” in this Complaint. Consistent with its lack of communication with NeoMedia, Costco never questioned NeoMedia’s explanation of infringement or otherwise sought additional information from NeoMedia.

17. With knowledge of the Asserted Patent and knowledge of the manner in which the Asserted Patent is infringed, Costco has continued to produce and distribute Indirect QR Codes that, when scanned, infringe the Asserted Patent. For example, Costco produced and distributed a savings book with coupons valid from March 6, 2014 through March 30, 2014. On information and belief, the savings book was distributed by Costco to millions of its members in February and March, 2014, including members residing in this judicial district. The savings book contains at least two Indirect QR Codes that, when scanned, infringe the Asserted Patent.

18. The first Indirect QR Code, on the back of the savings book is encoded with the following information that includes an index: “<http://qrs.ly/p53oge4>.” Costco expressly instructs individuals to “Scan this code” next to the code itself. The index is used to look up the address of the content server, which is “<http://m.costco.com/pg-rebate.html>,” and that address is returned to the device that scanned the Indirect QR Code.

19. The second Indirect QR Code, on the inside of the savings book, is encoded with the following information that includes an index: “<http://costco.ms/mvm0314/app>.” Costco expressly instructs individuals to “Scan here to download the Costco app” next to the code itself. The index is used to look up the address of the content server, which is

“<https://itunes.apple.com/us/app/costco/id535509415?mt=8>,” and that address is returned to the device that scanned the Indirect QR Code.

20. On information and belief, Costco owns or controls the server with the costco.ms domain address. This server receives the index sent by the device that scanned an Indirect QR Code, uses the index to look up the address of the content server, and returns the address of the content server to the device.

21. On information and belief, Indirect QR Codes produced and distributed by Costco have been scanned in this judicial district, meaning that acts of direct infringement have taken place in this judicial district, and Costco has induced or contributed to such acts of direct infringement.

22. Indirect QR Codes like the examples above that are encoded with an index that is used to look up the address of a content server (which, in turn, will be returned to the device that scanned the Indirect QR Code) are especially made and designed for that purpose. Indirect QR Codes have no purpose except to be scanned, and the information encoded in them has no purpose except to cause a server to use the index to lookup the address of a content server and return the address of the content server to the device that scanned the Indirect QR Code. Indirect QR Codes are not staple articles of commerce; they lack any substantial non-infringing uses.

23. The full extent of Costco’s distribution and promotion of Indirect QR Codes that, when scanned, infringe the Asserted Patent is not known to NeoMedia. Costco’s refusal to discuss the matter with NeoMedia prevents NeoMedia from assessing the full extent of Costco’s use of Indirect QR Codes.

24. In light of its knowledge of the Asserted Patent, knowledge of the manner in which it is infringed, and refusal to discuss the matter with NeoMedia, Costco was objectively reckless in continuing to engage in actions that directly and indirectly infringe the Asserted Patent. Costco knew or should have known that there was an objectively high likelihood that its actions constituted infringement of a valid patent.

COUNT I: DIRECT INFRINGEMENT OF THE ‘597 PATENT

25. NeoMedia incorporates by reference the allegations set forth in paragraphs 1 through 24 of this Complaint as though set forth fully herein.

26. Costco has and controls a server computer that meets each and every element of one or more of the claims in the ‘597 patent, resulting in direct infringement of the ‘597 patent.

27. Costco’s conduct is willful and deliberate.

28. As a direct and proximate result of Costco’s acts NeoMedia has been, and continues to be injured, and has sustained, and will continue to sustain, substantial damages in an amount not yet determined.

29. In addition, NeoMedia has and will continue to suffer irreparable harm as a direct and proximate result of Costco’s acts of patent infringement.

COUNT II: INDUCING INFRINGEMENT OF THE ‘597 PATENT

30. NeoMedia incorporates by reference the allegations set forth in paragraphs 1 through 24 of this Complaint as though set forth fully herein.

31. Costco, through previous correspondence from NeoMedia, and based upon this Complaint, is actually aware of the ‘597 patent and the acts that constitute infringing conduct.

32. With knowledge of the '597 patent and knowledge of the acts that constitute infringement of the '597 patent, Costco acted with the specific intent to induce the direct infringement of the '597 patent.

33. Specific acts undertaken by Costco to induce infringement of the claims of the '597 patent include: (1) producing and distributing Indirect QR Codes encoded with an index, with the knowledge that when the index is scanned by a user device, the index will be sent to a server and used to lookup the URL of a content server, which is then returned to the user device to enable it to connect with the content server; and (2) expressly encouraging or instructing individuals to scan Indirect QR Codes.

34. Costco is liable to NeoMedia for inducing infringement of the '597 Patent, in violation of 35 U.S.C. § 271(b).

35. Costco's conduct is willful and deliberate.

36. As a direct and proximate result of Costco's acts NeoMedia has been, and continues to be injured, and has sustained, and will continue to sustain, substantial damages in an amount not yet determined.

37. In addition, NeoMedia has and will continue to suffer irreparable harm as a direct and proximate result of Costco's acts of patent infringement.

COUNT III: CONTRIBUTORY INFRINGEMENT OF THE '597 PATENT

38. NeoMedia incorporates by reference the allegations set forth in paragraphs 1 through 24 of this Complaint as though set forth fully herein.

39. Indirect QR Codes made and distributed by Costco are material to practicing the '597 Patent's invention.

40. Indirect QR Codes made and distributed by Costco are especially made or especially adapted to indirectly link to a webserver.

41. Indirect QR Codes made and distributed by Costco have no substantial non-infringing uses.

42. Costco is liable to NeoMedia for contributing to the infringement of the '597 Patent, in violation of 35 U.S.C. § 271(c).

43. Costco's conduct is willful and deliberate.

44. As a direct and proximate result of Costco's acts, NeoMedia has been, and continues to be injured, and has sustained, and will continue to sustain, substantial damages in an amount not yet determined.

45. In addition, NeoMedia has and will continue to suffer irreparable harm as a direct and proximate result of Costco's acts of patent infringement.

REQUEST FOR RELIEF

WHEREFORE, NeoMedia requests that this Court enter judgment:

- A. Adjudging, finding and declaring that Costco has directly infringed and indirectly infringed (both via induced infringement and contributory infringement) the asserted claims of the Patent-In-Suit under 35 U.S.C. §271;
- B. Adjudging, finding and declaring that infringement by Costco is willful and deliberate;
- C. Ordering Costco to pay NeoMedia an amount that, as adequately as possible, compensates NeoMedia for infringement by Costco, in no event less than a reasonable royalty fee;

- D. Ordering Costco to pay court costs, pre-judgment interest, post-judgment interest, and attorneys' fees under 35 U.S.C. §§284 and 285;
- E. Finding that this is an "exceptional" case pursuant to 35 U.S.C. §285, and awarding enhanced damages up to and including treble the amount of damages and the payment of attorneys' fees; and
- F. Granting NeoMedia such other and further relief as is just and proper, or as the Court deems appropriate.

JURY DEMAND

NeoMedia demands a trial by jury on all issues that may be so tried.

Dated: June 26, 2014

Respectfully submitted,

/s/ David Berten

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing AMENDED COMPLAINT was served upon the following via the CM/ECF filing system on June 26, 2014:

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